



CALIFORNIA BANKERS ASSOCIATION

GRADUATE COMMERCIAL LENDING SCHOOL



- DESIGNED FOR SEASONED LENDERS
- 20 DAYS OF IN-CLASS TRAINING
- LOAN ORIGINATIONS TO PORTFOLIO MANAGEMENT

Better Training. Better Banking.



CALIFORNIA BANKERS ASSOCIATION **GRADUATE COMMERCIAL LENDING SCHOOL**

Better Training. Better Banking.

The CBA Graduate Commercial Lending School is a comprehensive, interactive and hands-on training program that will dramatically increase the effectiveness of your seasoned commercial lenders. It will enable participants to not more effectively book new loans, but to manage their portfolio of business.

The Graduate Lending School includes:

- ◆ Twenty days of in-class training featuring a 10-course training curriculum divided into six three-day sessions plus two days to prepare for and complete the final exam.
- ◆ Unlimited access to the instructors for individual assistance or additional insights.
- ◆ Daily quizzes, weekly exams and regular homework that reinforce the information covered in classroom.
- ◆ Additional assignments and case studies to be completed between class sessions.
- ◆ Classroom sessions are limited to 35 participants to increase participation and ensure that every student has ample opportunity to learn — and practice — the principles being taught. Classes are conducted in an informal, interactive environment.

Based on the success the *Undergraduate* Commercial Lending School has had for the past four years we asked Hipereon, Inc. to develop this program. One reason for that success is the Hipereon Training Philosophy.

Hyperion's training philosophy is based on linking training to implementation. We firmly believe that the principles discussed in class only become acquired skills when they have been implemented and used repeatedly. Participants are constantly challenged to not only learn new skills, but also demonstrate their knowledge.

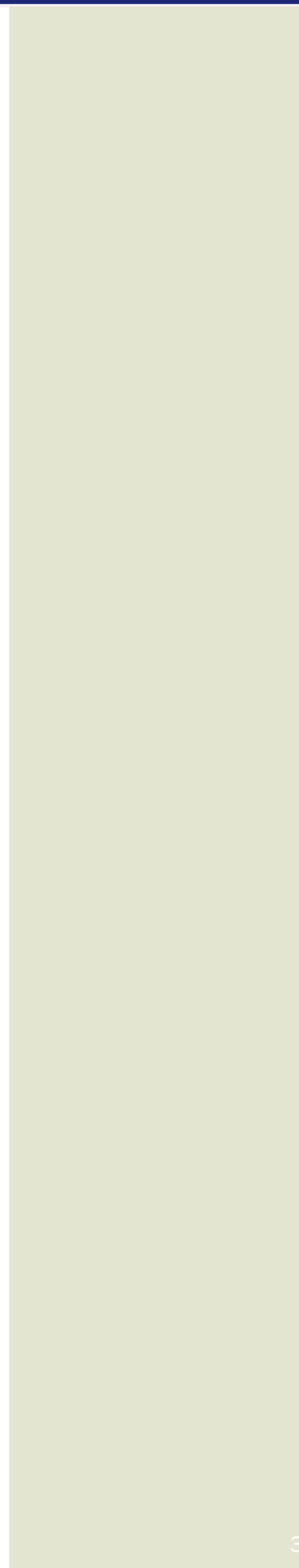


While the Lending School curriculum is challenging, it's also fun. Hipereon strongly believes that people learn better in an enjoyable and engaging environment. Hipereon training staff members are highly skilled in creating an informal, supportive and effective learning environment.

Throughout the Lending School, practice exercises/case studies are assigned. These homework assignments help measure knowledge retention and implementation proficiencies throughout the program. In addition, each participant is partnered with another student to practice communicating and implementing learned skills.

Testing is an integral part of Hipereon's training methodology. Hipereon tests participants in a non-threatening manner and uses testing as a self-development tool, not as a punitive performance measure.

The Lending School requires participants to roll up their sleeves and immerse themselves in the dynamic details of commercial lending. It's demanding work — but it will dramatically change the way your lenders approach and perform their jobs.





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The Graduate Lending School Curriculum

Building on the success of CBA's highly-effective *Undergraduate* Commercial Lending School program, CBA is offering the next phase in commercial lending training for its members, the Graduate Commercial Lending School. The graduate program is specifically designed to elevate the effectiveness of seasoned commercial lenders through learning the industry's best practices.

The program is structured similar to CBA's proven commercial lending school with over 140 hours of intensive instructor led training spanning six months. At the end of the program, all candidates must pass an intensive 8 hour examination. The Graduate

Program will boost attendee's knowledge and effectiveness in both originations and portfolio management by addressing key topics such as advanced financial statement analysis, loan structuring, real estate lending and appraisal, import/export financing, ag lending, the early identification of problem loans and asset-based lending.

Each course in the curriculum thoroughly demonstrates the concepts being taught and gives students multiple opportunities to practice their skills through homework assignments, in-class exercises and role-play.



WEEKLY CURRICULUM

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- Week 1** **Advanced Financial Statement Analysis, Advanced Cash Flow Analysis, Loan Structuring**
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- Week 2** **Commercial Real Estate Lending & Real Estate Appraisal Techniques**
-
- Week 3** **Commercial Real Estate Lending & Real Estate Appraisal Techniques (continued), & Agricultural Lending**
-
- Week 4** **Asset Based Lending, Import/Export Financing,**
-
- Week 5** **Loan Pricing Negotiations, Consultative Selling Approach, Soliciting New Business**
-
- Week 6** **Early Warning Signs of Problem Loans, Establishing Direction for Workouts, Problem Loan Strategies**
-
- Week 7** **Review, Final**
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CALIFORNIA BANKERS ASSOCIATION **GRADUATE COMMERCIAL LENDING SCHOOL**

WEEK 1

Advanced Financial Statement Analysis, Advanced Cash Flow Analysis, Loan Structuring

Overview: Business Model structure drives operating cash flow and impacts Debt Service Coverage capability. This program is designed to show participants how to utilize a dynamic financial analysis process to review historical operating performance and link it to realistic financial projections. Participants will complete a comprehensive financial analysis of several business entities and be required to present and defend their case study conclusions to a mock credit committee. They will be required to identify the critical cash determinants and describe the operating cause and effect issues that impact available operating cash flow to service debt.

Topics Include:

- ◆ **Discuss how to use the Language of Dollars and Cents to Describe Financial Infrastructure**
- ◆ **Determine the Cause/Effect relationships that drive Liquidity, Solvency, Capital Risk, and Profitability**
 - ❖ Examine Pricing Strategies and Cost Structures and their impact on Profitability
 - ❖ Linking Income Statement performance to Balance Sheet Structure
 - ❖ Integrate Performance Deviation Analysis and Industry Benchmark Comparisons
 - ❖ Identify Roadblocks to Profitability
 - ❖ Measure Asset Utilization and Analyze Capital Formation Structure and Strategies
- ◆ **Discuss and contrast FASB-95, UCA, EBITDA and other traditional definitions of Cash Flow**
 - ❖ Link the discussion of Cash Flow to the identification of Business Model Critical Cash Determinants
 - ❖ Link the discussion of Cash Flow measures to the concept of Debt Service Coverage



- ◆ **Discuss the concept of Global Cash Flow**
 - ❖ Provide a diagnostic process for measuring and assessing Global Cash Flow
- ◆ **Analyzing Financial Projections**
 - ❖ Understanding the concept of Default Forecasting
 - ❖ Identifying information required to create supportable Integrated Financial Projections
 - ❖ Understanding the SAF Law for Business and its impact on Financial Projections
 - ❖ Developing realistic Income Statement, Balance Sheet and Statement of Cash Flow Forecasting Assumptions
- ◆ **Linking Business Entity Capacity to Pay Characteristics to Debt Service Coverage Policies**
 - ❖ Link Operating Cash Flow Projections to Credit Requests and Debt Service Coverage Standards
 - ❖ Identifying Permanent Working Capital expansion needs and related Funding Strategies
 - ❖ Stress Testing Cash Flow Projections utilizing Sensitivity Analysis
- ◆ **Writing Effective Business Credit Memorandums**



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"I am firmly convinced that the California Bankers Association's Commercial Lending School is critical to our urgent need for qualified lending professionals. The school, in combination with on-the-job support, has greatly reduced the time and expense normally taken to develop a qualified loan officer."

Robert J. Longatti

Senior Vice President
Lending Services
Manager
Premier Valley Bank

WEEK 2

Commercial Real Estate Lending & Real Estate Appraisal Techniques

Overview: Loans associated with Commercial Real Estate represent a substantial portion of the commercial lending activities for most commercial banks. This program reviews the credit underwriting and administration process as it relates to commercial real estate loans. Participants will review how commercial real estate appraisals are structured and discuss the mandated licensing and professional performance standards required of commercial real estate appraisers.

Topics Include:

- ◆ **Defining Commercial Real Estate**
 - ❖ Discuss what constitutes Real Property
 - ❖ Discuss what constitutes Personal Property
 - ❖ Defining the differences between Commercial Real Estate and Residential Real Estate
- ◆ **Review Credit Policies and Underwriting Procedures for Commercial Real Estate Loans**
 - ❖ Discuss the concept of Debt Service Coverage
 - ❖ Discuss the concept of Loan To Value
- ◆ **Analyzing performance for Income Producing Properties**
 - ❖ Identifying Subject Property Cash Flow Characteristics
- ◆ **Understanding the Market Economic and Environmental Dynamics for Commercial Real Estate**
 - ❖ The cyclical economic nature of Commercial Real Estate
 - ❖ The importance of physical location
- ◆ **Commercial Real Estate Appraiser Standards**
 - ❖ Review FIRREA and the standards established for professional appraiser licensing requirements
 - ❖ Review of USPAP Appraisal Practice Standards



- ◆ **Commercial Real Estate Appraisals**
 - ❖ Identifying components of Property Value
 - ❖ Defining the Real Estate Appraisal Assignment
 - ❖ Review the various types of Commercial Real Estate Appraisals
 - ❖ Assembling appropriate background information on the Subject Property
 - ❖ Identifying the Subject Property's Highest and Best Use
 - ❖ Discuss the Principle of Anticipation
- ◆ **Organizing Commercial Real Estate Appraisal Reports**
 - ❖ Identify and discuss Real Estate Ownership Rights
 - ❖ Identify and analyze Private Property Covenants, Conditions and Restrictions
 - ❖ Identify and analyze Public Restrictions on Private Property Usage
 - ❖ Understanding Real Property Lien Rights
- ◆ **Commercial Real Estate Appraisal Techniques**
 - ❖ Understanding the Cost Approach to establishing Property Value
 - ❖ Gathering Property Replacement Cost Information
 - ❖ Understanding the Market Approach to establishing Property Value
 - ❖ Identifying Comparable Property Sales
 - ❖ Understanding the Income Approach to establishing Property Value
 - ❖ Defining and Determining Capitalization Rates
 - ❖ Identifying Subject Property Income streams and Operating Expenses
 - ❖ Measuring Subject Property Net Operating Income
 - ❖ Measuring Subject Property Operating Cash Flow



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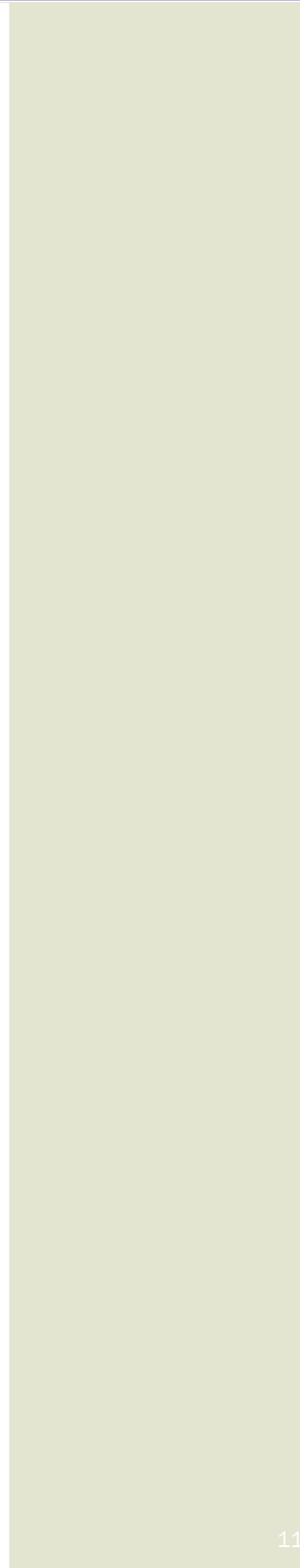
WEEK 3

Commercial Real Estate Lending & Real Estate Appraisal Techniques (continued), & Agricultural Lending

Overview: Lending to business entities involved in the Agriculture industry requires a thorough understanding of the unique business model structure characteristics associated with these businesses. This program will teach participants how to identify credit needs for agriculturally based businesses. As an extension of this training, participants will learn how to analyze these businesses and identify the related cash flow and debt service coverage capacity they produce.

Topics Include:

- ◆ **Discuss the economic environment for Businesses involved in Agricultural Services**
- ◆ **Discuss Unique Risk Management Issues associated with Ag Business Models**
- ◆ **Analyzing Ag Business Income Statements**
 - ❖ Review Product/Service Pricing Options
 - ❖ Review Operating Expenses Requirements
- ◆ **Analyzing Ag Business Balance Sheets**
 - ❖ Examining Asset Needs and Utilization Strategies
 - ❖ Identifying Funding Strategies
- ◆ **Analyzing Ag Business Statements of Cash Flow**
 - ❖ Determining what drives Operating Cash Flow
 - ❖ Understanding Production Asset Productivity and its impact on Investing Cash Flow
- ◆ **Managing Market-based Risk and Uncertainty**
 - ❖ Understanding Commodity Pricing
 - ❖ Developing Hedging Strategies
 - ❖ Futures Contracts and Commodity Options
 - ❖ Discuss Production Diversification Strategies
 - ❖ Time, Cost and Product Mix Flexibility Strategies





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The CBA's Commercial Lending School is the most important type of investment you can make - an investment in your people.

WEEK 4

Asset Based Loans & Import Export Financing

Overview: Asset-Based Lending involves providing financing services linked to specific asset eligibility standards. This type of lending is more time consuming than other types of lending because the lender is required to constantly monitor the collateral that is associated with the borrowing arrangement. The collateral must meet defined eligibility standards and the lender must develop viable timely systems for tracking the status of the collateral on an ongoing basis

Participants in this program will review the structure of asset-based lending programs with specific emphasis on understanding the steps to take when lending against accounts receivable, inventory, chattel paper and notes, third party lease contracts and machinery and equipment. Discussions will focus on how to prepare proper documentation for asset-based loans. Participants will learn how to analyze and select appropriate borrowers for their asset-based lending programs. They will review proven ways to monitor collateral and learn what is required to be able to perfect a security interest in the borrower's collateral.

Topics Include:

- ◆ **An overview of Asset-Based Lending and related Collateral Control Issues**
 - ❖ A Review of Article 9 of the Uniform Commercial Code
 - ❖ Define Key Terms and Related Documents Associated with the Parties Involved
 - ❖ Describe the Concept Of Eligibility
- ◆ **Analyzing The Borrower**
 - ❖ Reviewing The Financial Records of the Borrower
 - ❖ Analyzing the Accounting Systems Utilized By the Borrower
 - ❖ Understanding the Specific Term Structure of Sales Made To Customers



- ❖ Review Supplier Relationships
- ❖ Identify Concentration Risks in the Customer and Supplier Mix
- ◆ **Establishing the Eligible Borrowing Base**
 - ❖ Establishing the Collateral Margin
 - ❖ Setting the Proper Percentage For Each Borrower
 - ❖ Tailoring Advances To Selling Terms
 - ❖ Understanding the Concept of Cross Collateralization
 - ❖ Setting Up Cash Collateral Accounts
 - ❖ Maintaining the Loan-to-Collateral Ratio
 - ❖ Understanding Accounts Receivable Factoring
- ◆ **Preparing Asset-Based Loan Documents**
 - ❖ A Review of Borrowing Resolutions, Note Forms and Security Agreements
 - ❖ Discussion of the UCC Definitions for Debtor and Pledgor
 - ❖ Review of UCC Filing Requirements and the First to File Rule
 - ❖ Use of Third Party Service Firms For Monitoring Collateral
 - ❖ Completing Outside Audits and Examinations
- ◆ **Dealing With Asset-Based Borrowers Under The Bankruptcy Codes**
 - ❖ Review Six Recognized Acts That Justify An Involuntary Bankruptcy Proceeding
 - ❖ Review of Provisions for Automatic Stays and Voidable Preferences in The Bankruptcy Codes
 - ❖ Review of Risks to The Bank Regarding The Filing Of A Chapter 11 Petition
- ◆ **Examine the Basics of Import/Export Financing**
 - ❖ Review the structure of common import/export financing instruments
 - ❖ Review export/import documentation and procedures



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WEEK 5

Loan Pricing Negotiations, Consultative Selling Approach, Soliciting New Business

Overview: One of the primary responsibilities of Commercial Bankers is to develop an interactive working relationship with their business customers. Relationship profitability and stability extends beyond business credit needs and is significantly impacted by the depth of products and services in place with any individual business customer. The ability to cross sell multiple products and services is substantially dependent on the ability to profile business and personal financial services needs and provide viable problem-solving solutions. Participants in this program will learn how to profile financial services needs on a dynamic holistic basis. They will be required to prepare calling plans and participate in mock sales contact exercises to demonstrate their command of consultative listening and profiling skills. As an extension of these exercises, participants will be asked to defend their recommendations for product and services solutions and demonstrate why they believe their solutions recommendations will meet the financial services needs of the business customer.

Topics Include:

- ◆ **Organizing a viable Contact Management Process**
- ◆ **Setting Up Sales Calls and Establishing Contact Activity Objectives**
- ◆ **Developing Personality Profiling Techniques**
- ◆ **Discuss why Cross Selling and Share of Wallet Sales Strategies are critical to the Production and Maintenance of Bank Profitability**
- ◆ **Profiling Business Customers and Prospects**
 - ❖ Identifying Business Entity Legal and Ownership Structure Characteristics
 - ❖ Discuss the Business Life Cycle Concept and define Business Life Cycle Location Operating and Behavior Characteristics



- ❖ Identify Industry Sector Business Model Structural Characteristics
- ❖ Discuss the Personal Life Cycle Concept and define Personal Life Cycle Location Operating and Behavior Characteristics
- ◆ **The Anticipation Principle of Solutions-based Selling - Matching Financial Services Products to Business and Personal Needs**



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WEEK 6

Early Warning Signs of Problem Loans, Establishing Direction for Workouts, Problem Loan Strategies

Overview: All banks will face situations involving problem loans. Problem loans represent loans in the portfolio that are not being repaid based on the original terms and conditions. As a result of non-performance, these loans bear high risks in contrast to their potential return. The handling of problem loans requires special operational focus and expertise. This program provides the participant with an understanding of the potential consequences associated with problem loans. They will review a range of early warning signs for problem credits and discuss how to develop a systematic approach for preventing, identifying and managing problem loans.

Topics Include:

- ◆ **Preventing Problem Loans**
- ◆ **Detecting and Recognizing Problem Loans**
 - ❖ Gathering Performance and Behavior Information
 - ❖ Identifying Deviations In Key Financial Performance Indicators
 - ❖ Secured and Unsecured Creditors
 - ❖ Review of Loan Collateral Documentation
 - ❖ Using Loan Risk Rating Systems and setting Reserve Requirements
- ◆ **Costs of Problem Loans**
 - ❖ Legal and Administrative Costs
 - ❖ Collateral Cost Considerations
 - ❖ Regulatory Compliance Costs
 - ❖ Market Reputation Costs
- ◆ **Organizing a Problem Loan Workout Plan**
 - ❖ Identifying Workout Options
 - ❖ Presenting the Plan to the Borrower



◆ **Collateral Possession and Liquidation**

- ❖ Levying on the Collateral Property
- ❖ Obtaining a Court Judgment
- ❖ Defenses and Counterclaims by the Borrower
- ❖ Perfecting a Judgment Claim
- ❖ Identify and Discuss Liquidation Options

◆ **Basic Concepts of Bankruptcy Laws**

- ❖ Voluntary or Involuntary Bankruptcy Filings
- ❖ Chapter 11 Reorganizations
 - ❖ Determining if the Debtor has the ability to Reorganize
 - ❖ Issues Associated with a Debtor in Possession
 - ❖ Issues Associated with a Court Appointed Trustee
- ❖ Chapter 7 Liquidations
 - ❖ The Concept of Adequate Property Protection
 - ❖ Role of the Court Appointed Trustee



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Faculty Members

CBA's training staff brings a unique background and perspective to every training session. They have all been bankers, consultants, educators and business owners. Every facilitator has an advanced educational background, extensive real world business experience, and years of hands-on training and is well versed in effective training methods.

James R. Devine, Faculty Chair

Jim Devine is a founding member and CEO of CBA. He has trained thousands of lenders, business owners and accountants throughout the U.S. and abroad. For more than 25 years, he has been active in managing, financing and buying and selling closely held businesses. He has been a faculty member of the National Graduate Trust School at Northwestern University, the Graduate Banking School at the University of Wisconsin and the Stonier Graduate School of Banking at Georgetown University. Devine co-authored "Understanding Your Small Business Customer" and has facilitated national small business round tables on managing business banking practices. Devine has an MBA from Southern Illinois University and is a member of Beta Gamma Sigma.

Robert J. Hogan, Faculty Chair

Bob Hogan is a founding member and COO of CBA. He has trained and consulted with thousands of bankers, business owners and accountants throughout Asia, Africa, Eastern Europe and the United States. With more than 25 years of banking and business management experience, he has co-authored two books on small business management, and wrote the "ABCs of Distributor Finance," for ExxonMobil's distributor network.

Hogan is a co-developer of the curriculum and a lead faculty member for the California Banker's Association Commercial Lending School and the Oregon Banker's Association Commercial Lending Institute. He is also a faculty presenter at the University of Pittsburgh Executive

MBA Program, and serves on the faculty of distributor business schools for nationally recognized companies. He holds an MBA from Southern Illinois University and is a member of Beta Gamma Sigma.

The Training Investment

Many financial institutions think of training solely as an expense. At CBA, we consider training to be an *investment*. The Graduate Commercial Lending School is the most important type of investment you can make — an investment in your people.

Industry consolidation and other factors have made it more difficult for financial institutions to distinguish their products and services from those of their competition. Increasingly, it is your people — and how well they are trained — that sets you apart and determines your success.

We're confident that the proven curriculum of the Graduate Commercial Lending School will be unlike any training program your employees have experienced. It will be more comprehensive, more relevant and make a bigger impact on their day-to-day job performance.

Your investment in the Graduate Lending School will generate immediate returns. Your employees' confidence, analytical ability and relationship management capabilities will increase significantly. These new skills will enable them to handle a larger client base and sell more products and services. Participants will be capable of managing and growing deeper — and more profitable — working relationships with your commercial banking clients and prospects.

Contact CBA today to begin your investment in better training and better banking. We can be reached at 916/438-4400 or see our website at www.calbankers.com.

PARTICIPATING BANKS

Since the programs inception in 2003, over 40 member banks have sent 120 students through CBA's Commercial Lending School with outstanding results. CBA would like to thank the following banks for their support:

1st Centennial Bank

Affinity Bank

Alliance Bank

Bank of Orange County

Bank of Sacramento

Bank of Stockton

Bank of the Sierra

Bay Cities National Bank

Cathay Bank

Central Valley Community Bank

Citibank (West) F.S.B.

Citizens Bank of Nevada County

Citizens Business Bank

Coast National Bank

Community Bank of the Bay

Community National Bank

East West Bank

F&M Bank

Farmers & Merchants Bank of Long Beach

First Coastal Bank NA

First Community Bank

First Federal Bank of California FSB

First Regional Bank

Fullerton Community Bank FSB

Golden State Business Bank

Guaranty Bank

Hanmi Bank

Home Bank of California

Lake Community Bank

Mellon 1st Business Bank, National Association

Mid-State Bank & Trust

Montecito Bank & Trust

National Bank of the Redwoods

North Coast Bank NA

North Valley Bank

Oak Valley Community Bank

Palm Desert National Bank

Premier Valley Bank

Rancho Bank

Tri Counties Bank

Union Bank of California NA

Uniti Bank

Visalia Community Bank

Wells Fargo Bank NA



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