

APPENDIX 1

UNACCEPTABLE ASSETS FOR COMPUTATION OF ADJUSTED NET WORTH

1. Any assets of the lender pledged to secure obligations of another person or entity.
2. Any asset due from either officers or stockholders of the lender or related entities, in which the lender's officers and stockholders have a personal interest (unrelated to their position as an officer or stockholder). "Personal interest" refers to a relationship between the lender and a person or entity in which that specified person (e.g. spouse, parent, grandparent, child, brother, sister, aunt, uncle or in-law) has a financial interest in or is employed in a management position by the lender.
3. Any investment in related entities in which the lender's officer or stockholders have a personal interest unrelated to their position as an officer or stockholder or the lender.
4. That portion of an investment in joint ventures, subsidiaries, affiliates and/or other related entities which is carried at a value greater than equity, as adjusted. "Equity as adjusted" means the book value on the books of the related entity reduced by the amount of unacceptable assets carried by the related entity.
5. All intangibles, such as goodwill, covenants not to compete, franchisee fees, organization costs, etc. except unamortized servicing costs carried at a value established by an arms-length transaction and presented in accordance with generally accepted accounting principles.
6. That portion of an asset not readily marketable and for which appraised values are very subjective, carried at a value in excess of a substantially discounted appraised value. Assets such as antiques, art work and gemstones are subject to this provision and should be carried at lower of cost or market.
7. Any asset which is principally used for the personal enjoyment of an officer or stockholder and not for normal business purposes.