

# Commerce National Bank

February 10, 2009

Re: **Our (Leasing) World and  
Changes to CNB's "Application Only" Program**

Dear Lessor and Broker Friends:

As the economy struggles, with business and personal credit ratings suffering, and delinquencies rising to levels not seen in our lifetimes (*and Bob and I go back a ways*), it is now, more than ever, imperative that we not just know who we are dealing, but that we REALLY KNOW WHO WE ARE DEALING WITH.

First we must be comfortable with each other. We are proud of the Lessor/Broker community we work with and our goal is to continue to earn your respect and business by providing you the service you need to continue to be successful. We have the desire, and money, to accomplish this goal.

Secondly, we must make sure we know the lessees we are dealing with and the vendors providing the equipment. This topic is broken into two parts, with the "worse case" addressed first:

- We think it is fair to say that the biggest fear in this business, exacerbated by present economic conditions, is **vendor/lessee fraud**. Elevated levels of due-diligence are necessary for us to protect each other, and whatever sources we can use, including Lease Police and Leasing News, NAELB, NEFA, ELA, business publications, the internet and networking sources, to minimize this fraud risk is worth its weight in gold (*and we know how "gold" is doing these days*).
- And, clearly, we all need to focus on **knowing our ultimate customer, the lessee**. Credit analysis has changed and as hard as it is for us veterans to come to grips with it, what worked in the past (*like up to a year ago*) does not work now. What a company did in 2006 pales in importance to what they did over the last 6 months. Good folks, with long histories of excellent payments, are struggling, with credit reports often being lagging indicators of changing trends. More current/relevant information is available and, while over the last 15 years our industry steadily instituted higher limits before speaking the "F" word, now is the time to get reacquainted with **Financial Statements**. Having them will allow us to discuss sales trends, their response (holding margins, cutting overhead, etc.) and projections.

In case you are still wondering where this is all going, let me get to it now:

Commerce National Bank has determined it prudent to lower our **maximum "Application Only" level to \$50,000** effective immediately. The submission package on all transactions between \$50,000 and \$100,000 will now need to include the most recent **Year-End Financial Statement** (complete, with footnotes, etc.) and a **Current Interim** (with as much back-up/schedules as available. A **Personal Financial Statement** and the most recent **Personal Tax Return** on each guarantor is also highly recommended and will likely increase the turnaround time exponentially.

Together we will get through the times and be even better prepared to prosper as America returns to our rightful place as an economic powerhouse.

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