

COMMERCIAL LOAN REVIEW

for

AN ATHLETIC CLUB, Inc.

Prepared by Strong Family Fund, Inc.

NOTE

This Report is an example only. It has excerpts from an actual commercial audit completed for a fitness center in 2011. The original report was 45 pages... This example has portions that were not included in the original report as to better express report coverage.

Properties that are strictly rental properties will require a less complex report structure and depending on the number of loans involved will usually cost less than special purpose properties/businesses.

Special Note Regarding Litigation (if required)

The owner of this business was able to successfully enter into Chapter 11 Bankruptcy, and will be able to stay protected (in spite of Lender attempts to remove the protection) because our report can be used to show the BK court (or any other court) that the business has a clear plan to address its financial problems.

A clear exit/way-forward plan is essential for any business trying to weather a financial storm especially if they seek protection from the courts. Our Commercial Audit can help you stay protected until such time you are ready to go it alone again.

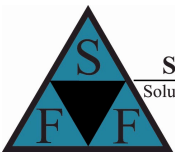
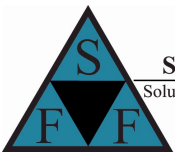


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Strong Family Fund, Inc. -- Business Consulting Services

Phone: 800-704-4228

[Redacted]

Dear [Redacted]

SFF, Inc. is grateful for the opportunity to help you improve your business finances through our Commercial Loan Audit and Analysis Review Service. We are submitting our final report for your review.

The primary goal of SFF, Inc. was to provide you with a proposal that could be used to obtain a loan modification for your commercial loan. Additionally, our service also includes recommendations and strategies to increase cash flow for your business so that your business operations will be able to service all obligations for the foreseeable future.

Based on the company's assessment of your current and future business operations, it has been determined that your existing loan with FNB should be modified as follows:

Loan Principal:	\$1,465,755 (Taken From Summary Judgment Documents)
Interest Rate:	2 Years @ 2.500% and 23 Years @ 3.500%
Amortization Period:	25 years
Payment Terms:	Interest Only for first 2 years, and then Principal and Interest, thereafter
Interest Only Payment:	\$3,053.66
PI Payment:	\$7,739.34

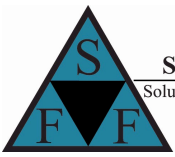
Other than the loan modification proposal which can be submitted directly to your lender for their consideration, our report also focuses on topics like the business' Internet presence, pricing, volume, costs, competition, and other relevant areas that can have a direct impact on business cash flow.

SFF, Inc. thanks you for all of your help and support during this project. We look forward to discussing our recommendations with you, and handling the negotiations with your lender. If you have any questions or concerns before then, please contact me at 813-445-5004.

Sincerely,

SFF, Inc. Commercial Audit Team

cc: [Redacted]



EXECUTIVE SUMMARY (excerpt/example)

SFF, Inc. was engaged to perform a Commercial Audit and Analysis review for [REDACTED]. The general purpose of this report is to provide a commercial loan modification proposal to management that takes into account a comprehensive assessment of the company's existing financial performance and expected future performance. The proposal is designed to enhance the company's cash flow while at the same allowing [REDACTED] to meet present and future operational and financial obligations.

Additionally, the report provides alternative cash flow enhancement or sustainability recommendations that are designed to increase or stabilize revenues and mitigate costs.

Modification Proposal

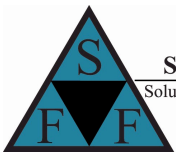
SFF, Inc. reviewed internal financial statements and tax returns for the years 2009 – 2011. A detailed analysis was conducted on [REDACTED] income statements, balance sheets, and cash flows for all years (see Appendix I). Additionally, SFF, Inc. forecasted out approximately 17 months through the end of 2012 to help determine the capacity of debt burden the business could handle. The types of analysis completed were as follows:

- YOY Percentage Changes
- Key Financial Ratios
- Cash Flow Review
- Revenue Reduction Assessment
- Lender Liability (Potential Law Violations)
- Tax Assessment
- Operational Assessment

After completing these assessments it has been determined that the following new loan terms will enable [REDACTED] to meet its debt obligations for the remainder of the year 2011, 2012, and for the foreseeable future:

Loan Principal:	\$1,465,755
Interest Rate:	2 Years @ 2.500% and 23 Years @ 3.500%
Amortization Period:	25 years
Payment Terms:	Interest Only for first 2 years, and then Principal and Interest, thereafter
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The loan modification proposal creates a pre-tax cash flow of **\$62,591**. This is after meeting a full year new loan payment obligation of \$36,643.92 (\$3,053.66 x 12). Additionally, assuming that 2012 operating results stay constant or improve in the out years, [REDACTED] will be able to meet its full PI payment beginning in year 3 of the new loan terms.



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Based on existing trends in the financials and the expectation that management will implement recommendations for stemming further revenue deterioration, SFF, Inc., assumed that revenues would be reduced by 10% in 2012 (see Appendix I-C – Year-Over-Year Analysis), and held constant thereafter.

Cash Flow Sustainability And Improvement

SFF, Inc. also has prepared several recommendations for your business that include evaluating your Internet strategy, taxes, competition, costs, pricing and corporate sales strategy. All of the recommendations are purposed to help [REDACTED] identify additional revenue or cost reduction opportunities and thereby strengthen cash flow.

Federal and State Lending Laws Review

While reviewing your business documents, SFF, Inc. also conducted a review of any potential lending law violations that may apply to your loan. The reviews primary purpose is to uncover items that could create additional leverage for the borrower during lender negotiations. Other than servicing issues noted below, SFF, Inc. did not find additional cause to bring forth any Lender Liability claims (see Appendix II-B).

After interviewing the borrower via questionnaire and reviewing all available documents, SFF, Inc. prepared a letter to the borrower's lender written on behalf of the borrower that communicated potential issues with the validity of the outstanding debt obligation.

Additionally, SFF, Inc. noted that the lender has failed to provide adequate accounting of the payment history for the subject loan. Because of borrower feedback, SFF, Inc. believes that the lender may have been negligent in the servicing of this loan and/or administration. SFF, Inc. has found that the lender failed to account for payments adequately, and that the lender has been negligible in ensuring the principal balance outstanding is correct.

Tax Considerations

Income Taxes

SFF, Inc. did not notice any significant issues in the area of income taxes that could benefit [REDACTED] from a cash flow perspective because the company has been reporting losses for sometime, and has very high negative retained earnings which can be used to offset future profits. Additionally, it appears that depreciation charges will also continue at their existing levels for some period. Management is advised to review retained earnings and their company's depreciable assets with their accountant to ensure [REDACTED] will continue to receive positive cash benefits from these categories for the foreseeable future.

SFF, Inc. did notice that [REDACTED] 2009 tax return appeared to be missing about \$63.9K in costs associated with contract labor (COGS line item on the tax return). If this discovery is verified as correct, this could significantly increase [REDACTED] negative retained earnings and protect cash flow in the future.

Please review this possible issue with your company's accountant immediately as SFF, Inc. believes the tax law may not allow for an amended return after 3 years.