



Credit Risk Management Solutions For Commercial Lenders

*Predictive Analytics Driving
Better Risk Decisions*

taking the
risk out
of small
business
lending

WEB
paynetonline.com

PORTAL
sbinsights.net

Corporate Overview

About PayNet, Inc.

PayNet is the leading provider of credit ratings on small businesses enabling lenders to achieve optimal risk management, growth, and operational efficiencies. PayNet maintains the largest proprietary database of small business loans, leases, and lines of credit encompassing over 23 Million contracts worth more than \$1.3 Trillion. Using state-of-the-art analytics, PayNet converts raw data into real-time market intelligence and predictive information that subscribing lenders use to make informed small business financial decisions and improve their business strategy.

PayNet's risk management solutions range from historic credit-reporting and automated credit-scoring to detailed strategic business reviews that include portfolio risk measurement, default forecasting, peer benchmarking and critical industry trend analysis.

The PayNet "Real-Time" Database

PayNet tracks lending and default data on more than 23 million small business loans compiled from their "real-time" proprietary database of \$1.3 Trillion in loan value from leading U.S. lenders which is updated monthly.

Small business data is gathered from one or more repositories consisting of term debt, loan/lease, trade and line of credit data. Data is uploaded monthly from a broad base of member companies, cleansed and aggregated for analysis, scoring and small business credit rating.

Unlike traditional data sources, PayNet's database derived from historic term-debt is a more reliable indicator of a borrower's payback performance through economic cycles.

Predictive borrower factors in PayNet's database include:

- Payment and delinquency history and patterns
- History of serious delinquency
- Years in business
- Years of borrowing
- Borrower practices
- Paydown of borrowings
- Borrower and borrowings size/magnitude
- Industry market segments including transportation, construction, agriculture, healthcare, and retail
- NAICS codes

Solve Your Critical Business Issues

PayNet's risk management solutions assist lenders to establish metrics for effectively communicating with management, regulators, auditors and investors.

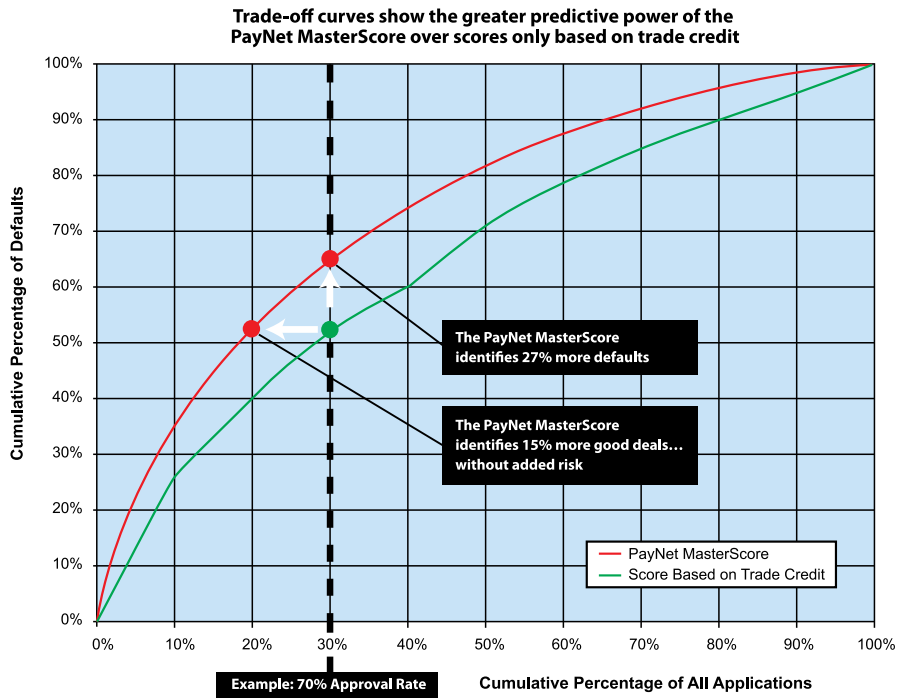
These solutions can enhance every aspect of commercial lending ranging from profitability and risk management to credit decisioning procedures and operating cost-control.

A Multi-Industry Credit Decisioning System For Equipment Lending & Leasing

PayNet MasterScore examines crucial drivers that impact payback performance derived from PayNet's proprietary database of over 23 million contracts and \$1.3 Trillion in loans and leases.

PayNet MasterScore combines empirically-derived, statistically sound scoring methods with long term loan/lease data and the expertise of credit professionals to deliver a highly predictive score that outperforms trade-based credit scores.

PayNet MasterScore consists of a series of individual scorecards for categorizing and rating prospective borrowers in Transportation, Construction, Agriculture, Healthcare and Retail as well as four business-size segments which range from major corporations to home-based businesses.



The Portfolio Impact

PayNet MasterScore, along with its industry-specific scorecards, has proven to make credit-decisioning performance better, faster, and more profitable:

- More good deals approved while controlling risk levels
- Credit losses reduced by rejecting more bad deals...without reducing originations
- Operating costs lowered and decision-times accelerated with automated online scoring
- Profit margins improved with more accurate risk-based pricing

The Credit Decisioning Process

PayNet places the predictive-power of this scoring system and its proprietary database in the hands of the credit analyst to make credit-decisioning more accurate, faster, and more efficient.

Unlike any other decisioning tool, PayNet MasterScore identifies goods and bads based on PayNet's exhaustive analysis of over 100,000 actual defaults to pinpoint 57 key factors that cause deals to go bad. No credit analyst has ever had this level of predictive power...as no single analyst could ever possibly look at over 100,000 deals.

The Construction Score & The Transportation Score

For lenders that focus either on construction or on transportation lending/leasing, PayNet uniquely offers the Construction Score and the Transportation Score – the ultimate in credit-decisioning. Both of these scores are derived from PayNet's data-set of over 2 Million equipment term-contracts...and each score significantly outperforms scores based on short-term trade credit.

Portfolio Monitoring Solution To Identify Risk Across an Entire Small Business Loan Portfolio

Portfolio Risk Manager is a monthly subscription service that delivers powerful risk metrics on each commercial borrower. The lender's own data can be sliced and diced in unlimited combinations:

- Identify early warnings of delinquency and potential default (see example below)
- Prioritize collection-call queues
- Improve monitoring of special asset accounts with important updates
- Identify when a borrower is paying another lender before paying you
- Quantify risk weighted assets with an independent risk assessment
- Add strategic decision support for portfolio and segmentation analysis

The Account View, Included with Each Data Set, Presents Each Borrower's Current Risk Profile for Rapid and Effective Follow-up.

Account View

Click to search by Customer Number ▼

Customer Number

Partial Customer Name

Ranked RWA x Score Change

Ranked 30D Potential Reduction

Enter customer number 50609-4

Cust. No: **50609-4**
Name: **DELAIR PACKING PLANTS**

City, State: **DELAIR, AK**
Phone: **555-1234**

Major Asset: **FORK**
SIC: **2011=MEAT PACKING PLANTS**
Branch: **North**
Officer: **Adams**

Rating Characteristics

Borrowing Practices (\$000's)

Internal - PRM Rating	4 - 5	Current Rating Factors	
Risk Weighted Assets	\$8,794	1. -Recent / Frequent Delinquency	
Current Score - HPD	683 - 2.7%	2. +Large Firm / Extensive Loans	
Prior Qtr Score - HPD	681 - 2.9%	3. -History of Serious Delinquency	
Original Score - HPD	705 - 1.4%		

Ever owed/High Credit	\$2,815 / \$1,099
Last loss / Bad status	N/A / Mar-08
Oldest / Newest trans	Dec-96 / Apr-09
Recent/Historic wgt'd. days past due	12 / 5

Total \$	% Total	Exposure	1 - 30	31 - 60	61 - 90	91+	# Accts	% Gty's	\$ Wtd DPD	Range of DPD
\$325,689		Ours	0	0	0	0	8	N/A	0	0 / 0
	52%	\$ amt past due	0	0	0	0				
\$302,939		4 Other Lender	104,073	102,336	0	0	15	9%	25	0 / 59
	48%	\$ amt past due	9,786	4,252	0	0				
Total Monthly Payments: \$25,547										

Calibrate PayNet's historic probability of default (HPD) to your risk ratings and identify migration from origination or last review

Use PayNet's proven probability of default (HPD) to objectively monitor and manage account activity

Identify changes in term loan balances and your relative position among other lenders to assist in proactive loan increases

Identify accounts defaulting on other loans before they become past due with you and mitigate or avoid more losses

Use external risk indicators, like other lender delinquency, to identify accounts requiring further review

Portfolio Risk Manager significantly enhances account management and portfolio analysis:

- Provides advanced warnings of borrower's cash flow problems indicated by delinquency with other lenders
- Provides objective analysis of changing borrower habits and risk migration
- Provides quantified and objective metrics which demonstrate comprehensive risk management for auditors, regulators, and board members

The Only Probability of Default Solution for Quantifying Credit Risk for Private Companies

PayNet AbsolutePD addresses the critical problems that lenders face in rating private-company portfolio risk:

- Efficiently and proactively managing small business portfolio risks is a constant challenge. Anticipating the direction of risk and positioning your small business portfolio for future risk is critical.
- Score and pool-based techniques that typically drive small business portfolio management are biased to historical trends. Forecasting risk with historic measures consistently lag actual default levels, and like a broken clock, are only right twice a business cycle.
- Bridging the gap between historic and future risk requires significant information gathering and analysis that are out of reach for most commercial portfolios.

PayNet reduces your lending risk by providing an absolute measure of credit risk at both the borrower and portfolio level on millions of small businesses for which financial statements are not available. PayNet's AbsolutePD product provides the only probability of defaults for private companies by geographic regions, industry sectors, and loan exposures.

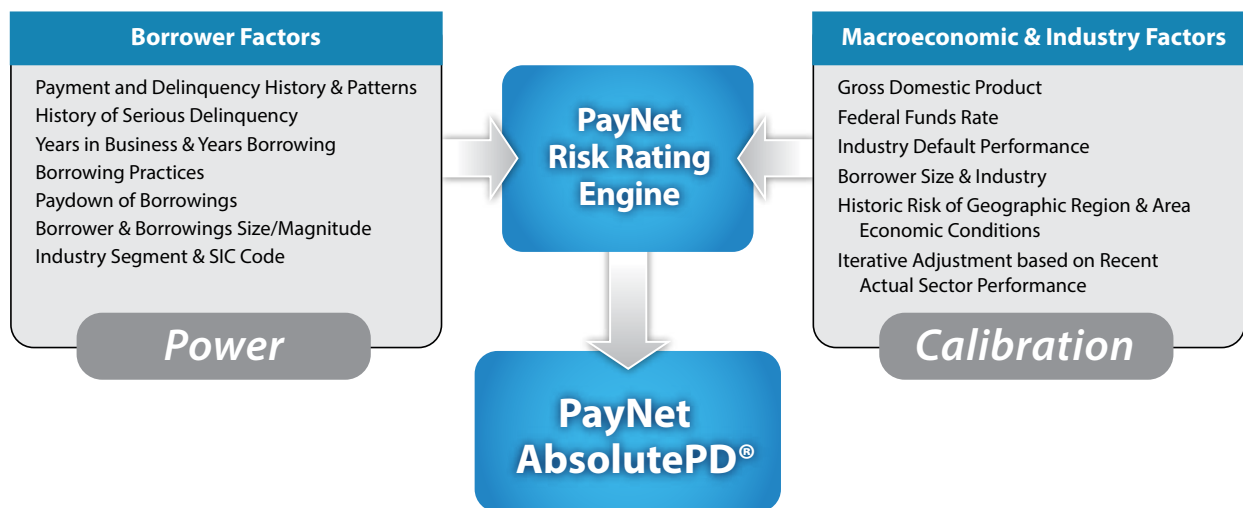
The PayNet AbsolutePD model, developed exclusively in collaboration with Professor Darrell Duffie (Stanford School of Business), combines current macroeconomic information with payment histories from PayNet's comprehensive proprietary database of 23 million financial contracts worth \$1.3 trillion to produce statistical estimates of probabilities of default up to eight quarters ahead.

PayNet AbsolutePD provides a consistent, transparent and objective loan management process mandated by management, auditors, regulators CEO's and investors.

PayNet AbsolutePD:

- Rates millions of private companies for which current and/or reliable financial statements are not available
- Aids in the improved estimation of loss reserves and determination of economic or regulatory capital
- Applies forward-looking credit ratings to enhance loss mitigation activities and identify areas for growth
- Provides an expected default rate for each obligor
- Provides quarterly forecast horizons up to eight quarters ahead

The Power of Traditional Models with the Calibration of Macroeconomic Factors to Predict Small Business Default Rates



PayNet Credit History Report

Definitive Borrower Information for Underwriting

The Credit History Report accurately delivers in-depth information and payback-performance of borrowers for the ultimate in informed and precise credit granting.

A core component of the Credit History Report is the highly-predictive PayNet MasterScore® for general-industry credit-decisioning or the specialized score for credit-decisioning within a specific industry.

Additionally, the report compiles borrower data that ranges from entity operating-information and lender/payback detail to delinquency history and lien/judgement summaries.

BUSINESS PROFILE	
Company Name	NATIONAL SYSTEMS, INC.
Affiliated Entities Trade Names and Individuals	Brian M. Jones NTLS, INC.
Management	B. JONES, PRESIDENT
Address/ Phone	1234 WEST PARK AVENUE NEW YORK, NY 12345 (212) 785-2030
Address Type	Street Address
Metro Area	NEW YORK
PayNet ID	1234567
Business Type	INCORPORATED
Location Type	CORPORATE
Year Started	1990
Years in Business	25
Oldest Contract	MARCH 2000
SIC Codes	2060 Sugar & Confectionery Products 5441 Candy, Nut, & Confection Stores
Primary Equip	CNST - Construction and Mining

CREDIT SCORES	
PayNet MasterScore® v2	612
Percentile	5 (Very Low)
<i>Key Factors in MasterScore v2</i>	<i>Impact on Score</i>
Recent/Frequent Delinquency	negative
Large Business Size with Extensive Borrowings	positive
Defaults and/or Derogatory Public Records	negative

Recent Avg. Days Past Due	14
Historical Avg. Days Past Due	8
Total Outstanding Receivable	\$669,507
Annual Sales	\$8,500,000.00
# of Employees	75
Total Outstanding per Employee	\$113,333
Annualized Scheduled Payments	\$264,215
Losses / Write-Offs Reported	\$1,637

LEGAL NAME(S)			
Company Name	NATIONAL SYSTEMS, INC.	Entity Type	DOMESTIC CORPORATION
Address	1234 WEST PARK AVE. NEW YORK, NY 12345	Filing State - Status	NY - GOOD STANDING
Date Incorporated	1999	Filing#	2742364
Management	BRIAN JONES, PRESIDENT	Tax ID	
Company Name	NATIONAL SYSTEMS, LLC	Entity Type	DOMESTIC L.L.C.
Address	5678 EAST ST. NEW YORK, NY 12346	Filing State - Status	NY - INACTIVE
Date Incorporated	1990	Filing#	12140552
Management	BRIAN JONES WALTER JONES	Tax ID	

PAYMENT SUMMARY					
	Occurrences	Last Time This Delinquent	Outstanding Receivable	Percent of Outstandings	Payment Past Due
Current			\$477,835	71%	
1 - 30	95	7/15	\$0	0%	\$11,979
31 - 60	47	7/15	\$0	0%	\$11,979
61 - 90	19	7/15	\$0	0%	\$11,979
91 +	9	7/15	\$191,672	29%	\$11,979
Total 31 +	75		\$191,672	29%	\$35,937
All Accounts	Due To Date = 404		\$669,507	100%	
Gross Original Receivable		\$1,372,668	Number of Open Contracts		5
Outstanding/Original Receivable		49%	Number of Closed Contracts		2
High Credit Ever Outstanding		\$549,635	Average High Credit Per Lender		\$366,833
Outstanding/High Credit Ever		40%	Average Terms Months		60

PAYNET CREDIT INQUIRIES					
JUL	JUN	MAY	APR	MAR	FEB
2	1	2	0	4	0

PAYMENT DETAIL							
Member Lender 1		Gross Org. Rec.	\$680,168	Payments P.D. 1-30	\$11,979	Last Time 1-30	7/15
		Outstanding	\$191,672	Payments P.D. 31-61	\$11,979	Last Time 31-60	7/15
Primary Industry	GENL	High Credit	\$575,000	Payments P.D. 61-90	\$11,979	Last Time 61-90	7/15
As of	7/31/15	Outstanding/High	33%	Payments P.D. 91+	\$11,979	Last Time 91+	7/15

#	Collat. Contract Guar.	Start Renew Close	Term Freq. Due TD	Last Paid Next Due	Original Amount	Balance Amount	Payment Amount (closed)	Days Past Due (in renewal)				Delinquencies (in renewal)				Status Loss
								Now	Avg.	Max	Max On	1+	31+	61+	91+	
1	CNST Loan Yes	11/12 -	48 MO 32	7/31/2015 8/31/2015	\$575,000	\$191,672	\$11,979	94	22	94	7/15	22	18	7	4	- \$0
2	TRCK CondSal No	5/03 - 4/08	60 MO 59	4/30/2008 -	\$87,643	\$0	\$1,460	-	15	107	4/08	12	6	6	5	WOFF \$1,637
3	COMP TruLease Yes	12/11 12/14 -	36 MO 43	7/31/2015 8/31/2015	\$17,525	\$0	\$487	- (8)	2	67	8/14	16 (3)	9 (2)	6 (1)	0 (0)	- \$0
Lender Totals:					\$680,168	\$191,672	\$12,466					50	33	19	9	

Member Lender 2		Gross Org. Rec.	\$575,000	Payments P.D. 1-30	\$0	Last Time 1-30	3/15
		Outstanding	\$423,260	Payments P.D. 31-61	\$0	Last Time 31-60	2/15
Primary Industry	GENL	High Credit	\$450,000	Payments P.D. 61-90	\$0	Last Time 61-90	Never
As of	7/31/15	Outstanding/High	94%	Payments P.D. 91+	\$0	Last Time 91+	Never

#	Collat. Contract Guar.	Start Renew Close	Term Freq. Due TD	Last Paid Next Due	Original Amount	Balance Amount	Payment Amount (closed)	Days Past Due (in renewal)				Delinquencies (in renewal)				Status Loss
								Now	Avg.	Max	Max On	1+	31+	61+	91+	
4	CRE Loan YES	6/09 -	120 MO 60	7/31/2015 8/31/2015	\$450,000	\$298,260	\$4,971	-	15	31-60	2/15	22	14	0	0	\$0
5	FF&E Revolver No	2/15 -	12 MO 5	7/31/2015 8/31/2015	\$125,000	\$125,000	\$520	-	0	0		0	0	0	0	\$0
Lender Totals:					\$575,000	\$423,260	\$5,491					22	14	0	0	\$0

Member Lender 3		Gross Org. Rec.	\$117,500	Payments P.D. 1-30	\$0	Last Time 1-30	6/15
		Outstanding	\$54,575	Payments P.D. 31-61	\$0	Last Time 31-60	Never
Primary Industry	GENL	High Credit	\$75,500	Payments P.D. 61-90	\$0	Last Time 61-90	Never
As of	7/31/15	Outstanding/High	0%	Payments P.D. 91+	\$0	Last Time 91+	Never

#	Collat. Contract Guar.	Start Renew Close	Term Freq. Due TD	Last Paid Next Due	Original Amount	Balance Amount	Payment Amount (closed)	Days Past Due (in renewal)				Delinquencies (in renewal)				Status Loss
								Now	Avg.	Max	Max On	1+	31+	61+	91+	
6	RETL Loan Yes	5/15 -	9 DAY 75	7/29/2015 7/30/2015	\$75,500	\$54,575	\$279	-	4	7	6/15	13	0	0	0	- \$0
7	RECV MCA Yes	11/14 - 5/15	6 WKDY 130	5/5/2015 -	\$42,000	\$0	\$324	-	1	5	1/15	5	0	0	0	- \$0
Lender Totals:					\$117,500	\$54,575	\$279					18	0	0	0	\$0

SPECIFIC ENTITIES			
Business Background Entity Name	Address	Phone	Tax ID #
NATIONAL SYSTEMS, INC.	1234 W PARK AVE, NEW YORK, NY 12345	(212)785-2030	***4567

#	Obligor Entity Name	Address	Phone	Tax ID #
1-3	National Systems, Inc.	PO BOX 188, NEW YORK, NY 12345-0188	(212)785-2030	***4567
4-5	NTLS, INC.	1234 W PARK AVE, NEW YORK, NY 12345	(212)785-2030	***4567
6-7	National Systems, Inc.	1234 PARK AVE, NEW YORK, NY 12345	(212)785-2030	***0113

BANKRUPTCIES						
Date Filed	Legal Type/ Action	Liability Amount	Name	Address	Document Number	Assets
1/30/1997	CHAPTER 11	\$0	National Systems, LLC	5678 EAST STREET, NEW YORK, NY 12346	0547-7702	\$0

TAX LIENS							
Date Filed	Legal Type/ Action	Liability Amount	Name	Address	Document Number	Filing Location	Description
2/18/2015	LIEN	\$15,461	National Systems, Inc.	1234 W PARK AVE, NEW YORK, NY 12345	013-5768	NEW YORK DISTRICT COURT	

JUDGEMENTS							
Date Filed	Legal Type/ Action	Liability Amount	Name	Address	Document Number	Filing Location	Plaintiff
3/6/2014	FILED	\$219,764	National Systems, Inc.	1234 W PARK AVE, NEW YORK, NY 12345	0112-412B	NEW YORK DISTRICT COURT	AMERICAN HEALTHCARE

UCC DETAIL	
UCCs For:	National Systems, Inc. 1234 W PARK AVE., NEW YORK, NY 12345

UCC Action:	AMENDED	Date:	2014-01-22	Doc#:	201 4 0376954	Loc:	SEC. OF STATE NEW YORK
UCC Action:	Original Filing	Date:	2009-03-12	Doc#:	2013 42692		
Secured Party:	COMMERCIAL BANK - 8828 STEMMONS FWY., DALLAS, TX 75240						

PayNet Strategic Business Review

Custom Evaluation of Portfolio Originations, Risk, and Operations

The Strategic Business Review delivers actionable solutions to optimize loan/lease portfolio performance by:

- Generating greater growth - identify significantly more high-return/low-risk market areas and commercial segments
- Setting more aggressive objectives - quantify market-share levels with greater confidence
- Optimizing resources - specify weaker procedures for improvement and streamline credit-decisioning processes

The lender's portfolio can be directly compared against the lender's competitive peer group for realistic and reliable evaluation:

- Measureable - Specific operating benchmarks are provided directly against 13 key performance categories and 61 critical performance-indicators
- Targeted - Meaningful comparisons are generated against equivalent lenders in the equivalent footprint, market, or product segment
- Extensive - Borrower data is pinpointed from PayNet's proprietary database of over 23 million term-debt contracts and \$1.3 Trillion in "comparable credit"

Case History – The Impact of PayNet's Strategic Business Review Showcased for a Major Commercial Lender

Situation	Lender Portfolio
Portfolio Size	\$14.0 Billion in term commercial contracts
Portfolio Objectives	Maintain double-digit profit growth rate and reduce losses
Portfolio Factors	Term contract average size – \$51,000 Booking rate – 50% Approval rate – 77% Auto-decisioning process
Portfolio Deficiencies Pinpointed By PayNet	Abnormally high delinquency rates – 5.5% Originations dominated by high-risk start-up companies – over 50% Unusual contract terms for less-established borrowers – 48 months Overly restrictive contract terms for established borrowers – 48 months
PayNet Recommendations	Reduce approval rate for start-up companies by 15% Reduce transaction term for start-up companies to 36 months Increase interest rates for start-up companies and very small businesses by 150 basis points Ease terms for more-established borrowers to 5 Years for companies in business at least 10 Years
Impact on Portfolio's Performance	\$40 Million increase in net life-cycle revenues: <ul style="list-style-type: none">• \$19 Million from increased interest rates• \$21 Million from easing of terms to established borrowers and enacting additional credit-procedure changes \$6 Million reduction in losses

Protection of Customer Data

Management is required to preserve the confidentiality of our customers' information as they would treat their own information. On behalf of our customers, management is committed to constant evaluation of appropriate levels of information security in keeping with our resources and responsibilities.

Since information is the essence of our business, this obligation is of the highest priority for PayNet. Management takes the position that, in the area of customer information, there is zero tolerance for compromise.

Additional information regarding PayNet's security and control environment is available upon request.



TAKING THE RISK OUT OF
SMALL BUSINESS LENDING

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Thomas R. Butler
Chief Executive Officer

William H. Phelan
President



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