



A NEW SEASON



LOOK AHEAD. ON THE HORIZON.  
FRESH WIND AT YOUR BACK,  
PROMISE SHINING AHEAD,  
THE MOMENT FOR CHANGE  
BILLOWS IN THE DAWN.

AND A NEW SEASON BEGINS.

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## A WORD FROM SCOTT BARBER

Chief Executive Officer of Transamerica Small Business Capital, Inc.

September 21, 1999

Dear TSBC Employee:

I am very pleased to introduce you to the “New Season at Transamerica Small Business Capital.” The changes you will learn about, and help effect, will become significant contributors to our future success. The basis for change at TSBC is driven by your feedback, industry factors outside our control, and loan processing improvements necessary to improve customer satisfaction and closing consistency.

I am confident, upon your careful review, you will determine that TSBC has reconciled its challenges and opportunities and puts forward an aggressive plan designed to win. Transamerica will provide the resources and tools to enable our success. Your commitment to your individual and collective roles are critical to our success.

Finally, the “New Season at TSBC” will offer exciting challenges and opportunities for all of us. I look forward to working with you to make it happen!

Sincerely,

R. Scott Barber

**R**ight from the start, you need to understand what lies at the center of this New Season. At its core, A New Season is not bold colors and banners, not a simple public relations campaign, not even a list of changes to our process and org chart.

A New Season is a new perspective, a new way of looking at ourselves and our work. It is a new opportunity for us to measure our strengths and weaknesses, assess the market, plan how we can make the most of who we are, and put the plan into action.

That definition of A New Season may sound too broad and abstract, but it has practical implications for how we face the day to day challenges of our business. It means making commitments. It means finding a better way to work. It means looking beyond our jobs and owning the whole process. It

means being sensitive to the close connections that make a team successful.

## WHAT IS A NEW SEASON?

Most of all, A New

Season means learning how to change. If you think that A New Season is only a specific package of changes to our process and structure, you'll miss the point. Yes, there is a set of process and organizational changes that accompany A New Season. But we are not banking on those changes alone to meet our goals. In a few months, after we put these changes in effect and see how they work, we may discover an even better way to work—we may change these things again.

In A New Season, we are changing change itself. We want to be better at changing. We want to change more quickly, with fewer upsets. We want to move quickly enough to beat the competition to a solution.

Don't measure the success of this New Season by how well these first changes work; measure it by how well we adapt these changes as we listen to each other, find our advantages and move quickly to the goal.

## PARTS OF A NEW SEASON

Overall, there are three parts to A New Season: vision, synergy and structure. You can see all three parts in the New Season logo.

Vision is our shining direction. You can read about it in our purpose, priorities, values and promises.

Synergy comes from energy. It's the energy of working together. It's the wind in our sails. You can see this in our teamwork and communication.

Structure is the foundation that holds everything together. You can find this in our organization, process definition, production teams and transition plans.

Altogether, vision, synergy and structure define A New Season



Transamerica Small Business Capital began on November 13, 1998 when Transamerica Business Credit Corporation purchased the assets of Emergent Business Capital from HomeGold Financial. EBC was a solid SBA lender with a proud history and proven staff. About a year and a half before the purchase, EBC had begun a reorganization process designed to make it a strong national presence in the SBA market. Transamerica saw the potential in that direction and bought EBC to enter government guaranteed lending.

Since the purchase almost a year ago, everyone at TSBC has made all the usual adjustments that come with an acquisition of this kind. Beyond these changes, we began to face a more competitive environment fueled by further mergers in the financial industry. In addition, the SBA changed its securitization rules making securitized loan sales less viable. Our decision not to securitize, along with an erosion of the premiums from loan sales in the secondary market, forced management to reassess its overall strategy.

Along with these external factors, both management and production teams began to see internal reasons for change. While investigating weaknesses in

## THE BEGINNING OF A NEW SEASON

the production process, management concluded that the process itself was poorly defined and not optimized for speed. The organizational structure did not clearly support the process. Communication from corporate to the production offices was sometimes unclear.

The solution to these weaknesses began last May when senior management assembled several cross-functional task forces made up of both management and production team members to assess the loan production process. These task forces identified weaknesses in our loan production process and made recommendations for improvement. Several of these task force members met outside of Atlanta for a two-day retreat on Father's Day weekend to clarify the production process and address many of the issues raised by the task forces. Since then, TSBC has been further refining the work of the task forces and has been developing a practical plan to put many of their recommendations into effect.

The New Season changes are, in effect, the product of these task forces. We have clarified our loan production process, identified ways to improve it and found structural and organizational changes that would support it. In short, it represents a significant change for our company, not only in terms of its production process, but also its strategy and identity.

## TASK FORCE RECOMMENDATIONS

Here's a sample of the recommendations the task forces made. Many of them are already part of the New Season changes. Many others will be coming over the next few months.

### Better communication

Better communication between senior management and production staff.

Quarterly Policy Roundtable and Review.

### Team Leader

A leader in each region empowered to make the daily decisions.

### Process Definition

Develop and implement standardized closing methods.

### The Package

Clearly define what is a complete package to make a decision.

Uniformity in proposal letters, package presentations, commitment letters and checklists by product.

### Evaluation

Clear performance standards.

Develop and implement a Post Closing Documentation Review system that provides critical feedback to closers and their supervisors in a timely manner (within 30 days of closing) and is a basis for providing further training.

### Pipeline Tracking

Utilize the information needed section in ELISa. At all times, everyone will know the items outstanding.

After approval, have ELISa generate a "subject to" list depending on type of deal, collateral and stipulations by RCM.

### Training and Documentation

Regular and on-going training.

Train RAMs on the type and quality of deals Transamerica desires and the TSBC's policies and procedures.

Develop and implement a training manual or reference book that includes a continually updated document library.

A formal mentoring program for new production team members.

Something would be wrong if we didn't change and grow as an organization. These New Season changes came about because of several internal and external changes to which we need to respond.

#### Internal Reasons:

##### Seeing Areas for Growth

First, we realized last spring that our production process had some weaknesses. As we dug into those problems, we discovered other gaps in our communication and structure. To thrive, we knew we needed to address these problems.

##### Wanting to Excel

Perhaps we could have survived with some of the problems we uncovered, but we could not grow and become the leader in our industry. We want to excel, and to achieve that goal, we need a low tolerance for inefficiency and poor communication.

#### External Reasons:

##### New SBA Securitization Rule

From time to time, we have pooled the unguaranteed portion of our loans together and have sold them as an investment security on the secondary market. However, securitization was riskier this year because the SBA changed the rule about the delinquency rate of the loans in the securitization pool. The new rule means we could lose our PLP status if we securitize. Therefore, we decided not to securitize.

Deciding not to securitize means we'll have to make our money in different ways. We have the potential to "grow" our balance sheet and build up our serviced loan portfolio at a faster rate, resulting in increased servicing income. We may purchase loan portfolios from other lenders as a strategy to build the balance sheet faster. We will also explore new product opportunities, but not before our loan origination process is more efficient and running smoothly. We will have to be more careful about our money in the short term.

##### Substantial Premium Erosion In Guaranteed Loan Sale Market

Over the last year, the premiums we earn when we sell the guaranteed portion of our loans on the secondary market have slid from 10% to 5.5%. Therefore, we make less profit. To recover this loss, we have to make sure we have quality loans that we close efficiently.

##### SBLC and PLP Audit Feedback

From these recent audits we learned that we need to strengthen our quality control. Even though the audits were generally positive, we still need more rigorous documentation and audit procedures.

##### New Parent (TA/AEGON) Expectations:

The expectations that Transamerica/AEGON has for us are no surprise. They want us to refine our process with disciplined follow through, to add new products and markets, and to focus on results. These are reasonable expectations. We need to fulfill them during A New Season.

## THE FORCES OF CHANGE

##### Competitive Environment (Bank Merger/Acquisition)

Big banks are swallowing up small banks and non-bank lenders. This means the competition keeps changing. Sometimes, these new players stumble and give us an advantage. More often, these big banks make the game tougher with lower rates and bigger production machines. To compete with them, we have to make the most of our advantages: quality service and quick decisions. Granted, we may not have this advantage right now, but we need to cultivate it in A New Season.

##### SBA Releasing 10+ New Licenses For NMLC

With these added New Market Lending Company licenses, we'll have more competition in the SBA market. These new lenders will probably get PLP status sooner than others and will gain an early advantage. To get an edge, we have to make our quality faster.

With all the changes we've seen in the last several months, our purpose has changed little. We want to be the best at what we do.

But we need a refresher. We need to consider what it will take to fulfill the ambitious purpose we've set for ourselves.

First, we need to put some practical legs on the high-flying goal of being the national leader in SBA lending. Given the competition, reaching that goal will take time. But Scott Barber, our CEO, has given us a more concrete target to get us started: be one of the top 5 producers of SBA loans in the nation. We haven't yet set a goal for how long it will take us to reach this target; we will watch our progress with the New Season changes and make this decision later. But we're on our way.

Being a top 5 producer in our industry would mean new opportunities for all of us—new products, new markets, new challenges, new rewards. To get there, each of us needs to work smarter, to understand how our job fits into the big picture, to uncover better ways to use our talents and tools to do more.

**A PURPOSE FOR A NEW SEASON** To succeed, we have to score two goals that often appear to be on opposite ends of the field: speed and quality. Most people assume that you can't do both, that being fast and being good tug against each other.

We have to draw the picture another way. We have to see both in the same frame.

Seeing these two opposites together may seem to be a shallow solution to practical problems. You may be thinking, for example, "How can seeing a link between speed and quality help me get the borrower to form a corporation any sooner?" "How can this cute idea help me get my daily work done any faster and better?"

The answer is that the ideas we have in our head set the boundaries for our day-to-day work, whether we realize it or not. We need to change those boundaries to see our work in a new way. That change takes time, but it begins today.

In the same way, we have to be both flexible and disciplined. This pair appears to be contrary as well. But we need them both. We must have discipline in our communication and policies and structure, but we must also know how to adapt to change and challenges. We must fit our policies carefully to each unique case.

These two contraries actually complement one another. As we establish a disciplined structure, we have a solid platform to evaluate each changing case. For example, with a clear picture of our loan process in general, it's much easier to understand how we may need to adapt it to be both fast and thorough with a particular loan.

Another part of our purpose is commitment. We make commitments every day. We say we'll get an answer for someone from accounting; we promise to return a call to a borrower. These promises, whether we spell them out or not, are the backbone of what we do. They're implied in almost every statement we make.

To be a leader, we have to stick to our commitments. We have to make clear to our customers and referral sources what they can expect, and we have to meet those expectations.

Commitment to the customer is not just the sales person's job. Everyone has a customer. When a sales person makes a commitment to a customer, he has to stand on the shoulders of everyone else in the company to make that commitment stick. We're all in this together.

Not only does everyone have a customer, but everyone is a customer. Sales has a commitment to credit; closing has a commitment to sales; management has a commitment to production employees. We're all bound by a web of commitment. For this organization to fulfil its promise, we have to honor the commitments we have to each other. We have to make realistic promises and keep them. We have to keep each other informed. We have to make commitment everybody's business.

Finally, to meet these commitments and accomplish our purpose, we have to keep adapting our process and exploiting our strengths. A lot of people have put time into defining our production process for this New Season. We've printed it in pretty colors on big sheets of paper. We've made quite a show of

**OUR GOAL** is to become the national leader in SBA lending. To achieve this goal, we need to be both fast and thorough, both flexible and disciplined. We must be able to meet our commitments to our borrowers, our referral sources and ourselves. To meet these commitments, we must continually refine our process and leverage our advantages and position in the marketplace.

it. We may be tempted to say that it's pretty and perfect and won't need to change for quite awhile. We may be tempted to sit back and let it run, like a new train set at a birthday party, until we're bored or until it breaks.

But we can't wait to change. This New Season means that we begin an era of continual change. We must start to rebuild the tracks as soon as we lay them, to make them better, to find more advantages, to discover better ways to be

fast and thorough. All the colors and show are simply to set our attention on the change that must begin today.

We also have to make the most of our advantages. We're not like every other lender. We do some things a little differently. For example, we're decentralized. We have to make the most of this as an advantage. We may be tempted to be like everybody else, to follow the industry standard. But if we run our business by industry standards, we'll never be better than average. We need to find ways to make the most of who we are and where we are. We need to find value in our distinctiveness.

These parts of our purpose are not lofty ideals that only look good on paper. They're practical guides for everyday thinking. They're for each of us, no matter how great or small we

## PRIORITIES FOR A NEW SEASON

1. Become a Top 5 Originator of SBA loans.
2. Consistently deliver fast and accurate loan processing to customers and the SBA, which will be measured by customer satisfaction surveys, TSBC internal and SBA PLP audits.
3. Offer a challenging and rewarding high performance work environment designed to attract and retain outstanding employees.
4. Diversify TSBC product lines (25% of annual originations to come from new markets or products).
5. Leverage TA cross selling opportunities.

may think we are in this company. Our purpose is ambitious. To accomplish it, we need you to invest your head and your heart, as well as your time and your effort. Step beyond the limits of your job and see our business as a whole. Begin your own New Season.

Several themes run through this New Season. They serve as guides for our planning and action. They are, in a sense, a restatement of the core values we brought with us from EBC. Those values haven't changed; we've simply given them a new focus for A New Season.

### Synergy

Synergy suggests doing more work together than we can do alone. Team work is part of synergy, but we want to work together not only as small teams, but as a whole, and not only within our own company, but with our parent company, our referral sources and customers and the SBA.

### Leverage

Leverage means doing the most work with the least effort. "Give me a lever long enough," said Archimedes, "and single-handed I can move the world." For us leverage means finding creative advantages anywhere we can. Our most effective levers are the creativity, energy and innovation of every employee. We need to use your ideas and knowledge to get the most done with the least effort.

## VALUES FOR A NEW SEASON

### Service

Everybody has a customer. And every customer deserves fair, honest and respectful service. Good service is good business. We must serve our customers, our business partners and each other with integrity.

### Leadership

Leaders don't follow the standard; they set the standard. They run ahead of the pack to find better ways to serve. They share their victories, but hold only themselves responsible for their defeats. To lead our industry, we must lead ourselves from every office, every desk, every day.

### Growth

Growth means change, and change means risk. Growth comes most often in small steps and daily lessons, rather than dramatic sweeps and revolutions. We must grow continuously as we change and adapt and learn from our mistakes.

### Value

We add value by our work when we end up with more than we started with. Every employee can add value with quality service and individual leadership. We must add value for ourselves, our customers and our shareholders.

We talk a lot about teamwork. We're going to use that concept even more; our regions will now be "production teams."

But the idea of teamwork has been used so much in business that it's becoming worn out. We need to remember the connection between teamwork and the kind of attitude and cooperation that makes teams work in sports.

Think about the qualities of a successful championship team. First, every individual player has a feel for the whole play. To make a double play, for example, the short stop has to know where the second baseman stands. The second baseman has to know how far off first base the runner is leading off. The first baseman has to be ready for the throw from second. If they complete the double play, it's because they each have a sense of the whole.

To get that sense of the whole, the team members have to talk and listen—a lot. They almost think each other's thoughts. You may not always see the

## TEAMWORK FOR A NEW SEASON

talk so that during the game, when there's no time to talk, they know where their teammates are without saying a word.

A good team trusts each other. If the guard lobs the ball toward the basket from the top of the key, he trusts that the forward will be there in time to tip it in. He doesn't worry about his teammate not being there in time. He can't afford to stop the play to see if the forward is paying attention.

A good team is disciplined. Even though each part sees the whole, they play their positions and rely on their systems. An offensive guard may not have a glamorous job; he has to shove a 300 pound defenseman out of the way of the play. But the opening he creates makes the play possible. He knows the whole play and how he fits in. He doesn't try to be a running back.

Add it all up, and you see that a good team acts like a single person—each part working together in fluid motion like a single player. We need that efficiency to succeed in this New Season. We need a sense of the whole, communication, trust and discipline.

talking during a game, but it's incessant in practice. During practice they

## A PROMISE FOR A NEW SEASON

We say in our purpose that we need to meet our commitments to each other. We want to make one commitment clear to you at the start of this New Season: the commitment management has to every employee. We've spelled it out for you here. We're putting ourselves on the line.

I am a leader.  
 I am not better than you.  
 Or higher than you.  
 Or smarter than you.  
 I am a leader.  
 I guide because I've been down the path before.  
 I give because others have given to me.  
 I listen because I can't see every angle.  
 I build so you have a solid place to stand.  
 I test so you can prove your skills.  
 I speak so things make sense.  
 I put myself aside.  
 I stand ahead but not apart.  
 I take the first step.  
 I am a leader.

A New Season involves a defined set of changes for its first phase. Once these are launched, we'll begin work on Phase II, which we'll talk about later.

#### Comprehensive refinement of production process from referral source to closing

First, we're defining our loan production process from beginning to end. We've only done pieces of it before. Now we have the whole picture. Now we have something to look at and evaluate and improve.

Second, we made some changes to the process to make it more efficient. The biggest change is giving the borrower a set of SBA approval documents to sign along with the commitment letter. This should reduce the number of times we have to go to the borrower and will front-load the closing process to make it more efficient.

### PROCESS HIGHLIGHTS

The production process that we're launching is not entirely new. What's brand new is our having a picture of the process that we can study and improve. Beyond that, we've made some key changes in the process to make it more efficient. Here's a summary of what's new about the process:

- We've mapped the process from consideration to closing, something we've never seen altogether before.
- We've defined the points at which the Credit Officer needs to be involved in the deal after approval.
- We've added the Customer Liaison to improve customer service and keep the deal moving.
- We've "front-loaded" the documents that we give to the borrower with the commitment letter. This way, we can get more documents up front and speed the process.
- We've built-in early reminders for things that can make a deal close more quickly, such as the borrower getting the corporation formed as soon as they can.

documents to sign along with the commitment letter. This should reduce the number of times we have to go to the borrower and will front-load the closing process to make it more efficient.

#### New positions added to expedite loan approvals and closings, and improve customer focus

We are more strongly organizing our production around teams, each one headed by a production manager. We're adding new positions to our loan production teams in several key areas.

The Customer Liaison Officer is a brand new position designed to be a go-between for the production team and the customer. We expect to have two Customer Liaisons on every production team.

The Credit Officers will be the underwriters on the production team. They will perform the credit analyst role but with limited credit authority in some cases, since they will be responsible for underwriting the deal. We expect to have two Regional Credit Officers on each production team.

The Loan Closing Officer is not a new position, but will carry the whole closing from approval through post-close. We want to have fewer hands touching each deal, but more hands in each office to handle all the deals. We expect to have three Loan Closing Officers on each production team.

The Production Manager superintends the whole production process. He or she coordinates the teams efforts, manages the pipeline, assign team members to deals and eliminates snags. The Production Manager will eventually

have higher credit authority

than our current Regional Credit Managers and will be charged with keeping the team in tune to move deals.

### THE FIRST PHASE OF A NEW SEASON

#### New management structure to improve production speed and quality, sharpen focus on servicing, loan sales and process audit

In Greenville, we're changing our management structure to strengthen our production structure, gain an advantage in the legal aspects of the closing process, and fortify our portfolio purchasing and secondary market opportunities.

First, we are adding a National Production Manager to whom the Production Managers will report. Also serving as the Senior Credit Officer, the new National Production Manager will oversee the entire production process from underwriting to closing and will work closely with sales management to make the loan production seamless from start to finish. This change will give us a strong focus on loan production and is a critical element in giving our production teams the resources and structure they need to excel.

We are also adding a new Senior Attorney to handle the legal aspects of loan closings. This new legal position will not replace our current in-house counsel, but will actually perform the legal work that we currently out-source. Again, this new position is central to our being both more efficient and competitive.

Having a position focused solely on production allows us to more realistically balance the burdens carried by senior management and to sharpen our focus on other critical areas.

## THE IMPORTANCE OF THESE CHANGES

Kent Anderson spelled out the benefits of the New Season changes with these points:

- We are adding additional resources to the processing of the loan requests, i.e. 6 new Liaisons and new credit positions.
- We should see quicker response time because individual closing/credit decisions are being made at team level, while overall policy decisions are being implemented at the national level.
- We are introducing Customer Liaisons to keep the deals moving and to have central point of contact with borrower.
- New process will speed up loan closings and improve quality to protect the company's assets—"the genius of the *and*"
- Fewer locations means more consistency in our process.
- More "power to the people"—on-site management and responsibility for the underwriting and closing functions.
- Senior management commitment to do whatever it takes to ensure that the company returns to profitability, even without securitization.

For the company, these changes draw a comprehensive and responsible path to our goal of being the national leader in SBA lending. For you, A New Season is a new opportunity to make a difference, to see results, to have a part in our success.

This is only the beginning of A New Season. Most of the work lies ahead, with all the frustrations and setbacks that come with any hard work. But this is a beginning, a first step to reach our goal. And if this company is to find success, there can be no better beginning than this.

The Director of Portfolio Management will be able to concentrate on building and servicing our portfolio. Purchasing portfolios from other lenders is one key way we can be profitable without securitizing; now we can devote more energy to this effort.

Also, we will have a management position dedicated to loan sales. Even though we have been successful in loan sales in the past, changes in the secondary market demand more of our attention. We will now have more time to give that attention.

In addition to portfolio management and loan sales, we will have more time to perform structured post-approval and post-closing audits. These reviews will be critical to the kind of objective evaluation we'll need in this New Season.

### New policy review structure to improve policy communication with the field

A statement of policies and procedures, in whatever form it takes, is part of effective communication. And the way we change policies and procedures is as important as the policies and procedures themselves. Therefore, we need a routine cycle of policy review and revision. In A New Season, production procedures and policies will be reviewed every quarter in a roundtable conference call or meeting, if possible, of production staff and representatives of senior management.

In addition to this policy review, we will institute a formal structure for the introduction of new policies. We will route all new policy announcements through a single channel where they can be reviewed and checked. Once we're sure they're clear and consistent, they will be published in a special e-mail that everyone will recognize as a new or revised policy.

### Renewed focus on communication and teamwork to improve operational efficiency

We've already started having regular conference calls every other week. That's just the start of a more disciplined approach to communication and teamwork. We're creating production managers to lead and coach each production team; we're restructuring management to put the bodies where the work is; we've named a change manager to guide the change itself. We're also looking into more training to sharpen our skills, and we're looking for ways to clarify our process and policies even further.

All of these changes are part of the new perspective that comes with A New Season.

We're changing the mix of our production teams. Here are all the positions, both old and new, with some details about how they'll fit in the new process.

#### Customer Liaison Officer

The Customer Liaison officer is a brand new position. The Liaison assists account managers, credit and closing officers in the gathering of information and documentation. In addition to the Regional Account Manager, the Liaison serves as primary customer contact through the loan origination process.

The Customer Liaison is the “grease” on wheels of our process that makes a deal move smoothly through the process without snags and delays. They represent the customer in the process, getting information for the customer and from the customer.

#### Functions

- Assists Regional Account Manager in gathering the information necessary for loan review/approval.
- Assists Credit Officer and Loan Closing Officer in assembling borrower presentation package (i.e., commitment letter, SBA submission documents, etc.) May accompany Regional Account Manager when package is presented to borrower.
- Assists Loan Closing Officer in gathering documentation required to close and fully fund loan.
- Maintains communication with Credit Officer and Loan Closing Officer to ensure that customer is kept up-to-date regarding loan status.
- Assists Loan Closing Officer in scheduling closing.
- Assists Production Manager with special projects as requested.

#### Credit Officer

The Credit Officer is not a completely new position. Before, we've had Regional Credit Managers and Credit Analysts. We're making them all Credit Officers.

The Credit Officer reviews and analyzes financial information presented by potential borrowers and prepares the written loan submission (LSA) for review/approval. The Credit Officer's goal is to structure a loan that meets SBA and TSBC requirements

#### Functions

- Performs preliminary credit screening of the loan application. Establishes eligibility of the credit according to both TSBC and SBA standards.
- Spreads financial information and performs analysis to determine creditworthiness. If financial analysis is favorable, structures loan to meet needs of borrower and requirements of TSBC and SBA.
- Presents and recommends loan presentation (LSA) in a timely fashion (3 day turnaround). Assessment of quality of loan transaction should be within 95% accuracy based on risk rating assignments.
- Prepares commitment letter and assists loan closing staff with loan packaging and/or closing; review and approves SBA Authorization, Form 4-I, appraisal and environmental reports.
- Develops and maintains positive relationship with borrowers and SBA.
- Assists other members of the production team as needed to maximize production and meet corporate and team goals.

#### Loan Closing Officer

We have had two closing positions: the closer and the packager. Now we will have only Loan Closing Officers to reduce the number of hands that touch each deal.

Under minimal supervision, the Loan Closing Officer performs loan documentation and closing functions with attention to high quality and timeliness. The Loan Closing Officer has responsibility for processing and closing SBA loans in accordance with SBA and TSBC policies and procedures.

#### Functions:

- In conjunction with Credit Officer prepares and/or reviews Conditional Commitment Letter.
- Prepares all necessary documentation and submits to SBA for approval.
- Prepares/obtains and reviews all necessary documentation for the loan to close. Establishes and maintains contact with outside agencies/parties directly involved in loan closing. Follows up and resolves problems with borrowers and their representatives to ensure a smooth loan closing.
- Provides the legal department with the necessary documentation to perform a pre-closing review. Assists in resolving any outstanding issues.

## PRODUCTION TEAM POSITIONS

- Sets closing date, arranges funds transfer and, when possible, attends and conducts loan closing.
- Prepares and coordinates internal loan closing and funding documentation including pending item follow-up.
- Completes file and forwards it to Portfolio Management Department.
- Assists other members of the production team as needed to maximize production and meet corporate/regional goals.

Production Manager

The Production Manager is another new position. With this position, we're putting production authority in the field to make the process more efficient. There should be less time waiting for answers from corporate; most answers will be in the field.

The Production Manager is responsible for administering the SBA loan process in a production team from application receipt to closing/full funding. The Production Manager manages all credit and closing staff in order to produce a quality product in an expedient fashion and also reviews and approves loan requests from Credit Officers. The Production Manager monitors performance and makes recommendations regarding delegation and credit to Senior Credit Officer in addition to help meet or exceed TSBC's business objectives for loan volume, revenue, net income and portfolio quality.

Functions

- Analyzes loan summary (LSA) prepared by Credit Officers and provides sound, independent credit decisions in a timely manner (within 24 hours of LSA receipt).
- Provides supervision and training for all credit and closing staff. Directs work flow to ensure that customer expectations are met.
- Assists Regional Sales Managers with loan process issues
- Monitors and evaluates underwriting and closing policies and procedures to assure the quality of the portfolio and the integrity of the SBA guaranty.
- Establishes and implements systems necessary to ensure that all customers receive a timely response.
- Performs special projects for Senior Management.

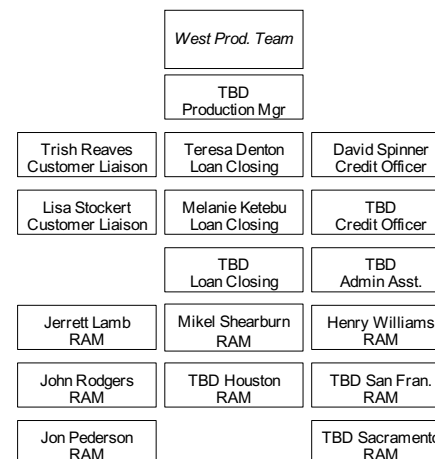
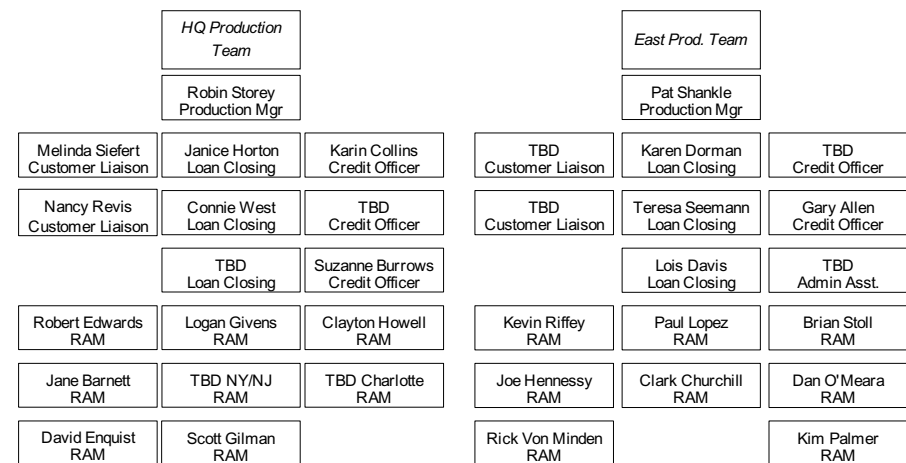
## PRODUCTION TEAMS

Our ideal production team has these members:

- 8 Regional Accounts Managers
- 2 Customer Liaisons
- 2 Credit Officers
- 3 Closers
- 1 Production Manager

The industry standard for RAMs to Underwriters to Closers is 4:1:1. We will have 4:1:1.5 plus 2 Liaisons to help with a good portion of the customer contact load. Our staffing is better than the industry standard.

Here are our production teams as they stand now:



We've made communication a centerpiece of A New Season. There are a few specific measures that we're enacting in the first phase of changes that will make our communication more disciplined. Here are the details:

#### Policy Review

Production procedures and policies will be reviewed every quarter in a roundtable conference call or meeting of production staff and representatives of senior management. Our first formal review of these changes will be held on Monday, 1/10/2000.

### WORK LOAD TRANSITION PLAN

When we meet in Greenville, we'll go over the details of the work load transition plan we will use to seamlessly move existing deals to new production teams. We will set dates for sending all new deals to the new teams, along with dates for moving existing deals to the new teams.

Of course, these dates will depend on how quickly we can fill open credit and closing positions in our production teams. A few weeks ago, we began to advertize for the open positions. If for some reason these position go unfilled too long, we may use contingency plans that include out-sourcing closings, if necessary.

Also, we expect to have adequate office space for all our production teams. Weeks ago, Tampa already had definite expansion plans. Greenville will have additional space when the corporate offices move. Dallas has begun the process of finding additional space.

We will discuss all these transitional details in Greenville.

- The roundtable can be conducted as a conference call or it may coincide with other corporate meetings. Either way, we will take it seriously; this involves changes to a resource on which we all depend.

- The schedule will be set far enough in advance to allow everyone to attend.

- The agenda will be published beforehand. It will include items for review from coaching calls, production teams, customer surveys, management, legal, audits, file review—any source. The communication manager will collect these items throughout the quarter and hold them for the meeting.

- The communication manager should conduct the roundtable discussion. The purpose of the discussion is to review each item on the agenda and reach a consensus about any possible change.
- After the meeting, the list of proposed changes and their justification will be submitted to senior management for formal approval. Senior management will review and ratify the changes within two weeks. The changes should then be formally published and the policy and procedure statements should be amended.

After the initial start-up period in which there will be rapid changes, there should be no changes to production policies and procedures outside these quarterly roundtable reviews, unless an unforeseen emergency arises.

#### Policy Publication

We will institute a formal structure for the introduction of new or revised policies. We want policy changes to be clear and conspicuous.

- Any manager may create a policy or amend an existing policy by filling out the Policy Memo form in Lotus Notes.
- This form is available is on the Create/Mail/Special menu along with Bookmark and Phone Message.
- The form lists basic information such as to whom the policy applies, the intended recipients of the notice, the effective date, modified date and a title. The form can include a link to a policy document in another database.
- After completing the form, the manager selects the "Submit" button, which forwards the policy memo to the Communication Manager for review.
- The Communication Manager checks the policy for consistency and proper management review.
- When the review is complete, the Communication Manager will forward the policy memo to all the intended recipients. The memo will appear as a special policy e-mail.

## COMMUNICATION INITIATIVES

What are the qualities of a good loan production team? We surveyed our loan production centers and put together this list of “best practices.”

Every part owns the whole.

“The group is characterized by a ‘team’ spirit/philosophy. Individuals understand the entire loan process and are therefore able to provide assistance across job descriptions. No one feels they are limited to their input into the process, i.e. RAMs make closing suggestions, closers make marketing suggestions, and underwriters make sales suggestions. The team members know their suggestions and involvement in the deal are welcome and are recognized by the team for these contributions.”

“The team members follow the deals very closely and don’t detach themselves from the deal once it moves to another stage in the pipeline. They continually follow-up on the status and stay in communication with the responsible party throughout the process.”

Every part pursues the goal.

“RAMs sell the close up front in the loan origination process. They know what it takes to close a deal and think in terms of closing when they first consider a deal.”

## BEST PRACTICES

“We all have the same objective, close the deal and we work together to get it done. For example, the RAMs don’t wash their hands of the deal once it’s approved. They are always available to assist the team to close the deal.”

Every player talks with the team.

“Everybody on the team is on the same page of the book. Sales and credit know what deals will work before the deals ever come in the door. They set up procedures and standards for themselves so they know what to expect from one another. As a result, they don’t have to rewrite the book on every deal.”

“The Regional Account Managers and the Underwriters discuss deals early in the process identifying pros and cons. This makes for no surprises and a smooth process. Communication is the key.”

“Our team has regular pipeline meetings to discuss each deal, concerns, changes, and always open to questions.”

Every person checks quality.

“Like a Toyota assembly line, anyone can stop the process if he sees a quality problem. To make this work, the leader must absorb these challenges in a positive way and staff must trust the leader.”

“The team identifies potential problems ‘early in the game’ and communicates these with all departments for their suggestions and input. This has greatly reduced the number of ‘false starts’ and avoids giving the customer an unrealistic picture of the timing and loan structure.

“We try and find solutions not just to identify problems.”

The leader serves the team.

“The leader acts as a department store ‘floor walker’, moving around the office giving whatever help he can to keep things running smoothly. This model is effective if the person is a knowledgeable decision maker, is willing to take risks, and can generate confidence in the staff and trust in the process.”

The team engages the community.

“The sales force is very visible in the regional banking/finance world and has benefited greatly from our consistent sponsorship/attendance at the numerous SBA and Banker conferences/meetings/panels, etc.”

## SHORT TERM WINS

We need some short-term wins or goals to keep our progress on track. We want to prove to ourselves that these changes are working.

We need your help in identifying these short-term wins. We want to make them measurable and realistic. Here are some things we’re considering as possible goals by the end of the year:

- How many deals should a closer close each month?
- How many credit decisions should credit officers make each week?
- What percentage of packages given to credit should be complete the first time?
- What percentage of credit decisions should be made within 3 days of receiving a complete package?
- What percentage of deals will follow the flowchart model of having the customer sign the SBA approval docs along with the commitment letter?
- What percentage of commitment letters will go out within 5 business days of approval?
- What percentage of deals should come to servicing with no pending items?

## WHERE DO WE GO FROM HERE?

We have several steps that remain in the first phase of changes. Then we will begin working on Phase II. We also need to set some short-term goals to keep our progress on track.

### Steps Remaining in Phase I

- Communicate strategic direction to all employees (9/29-30 in Greenville)
- Conduct follow-up employee training on new processing routines, policies, and procedures
- Place or hire employees into new organizational structure
- Transition work/pipelines from affected processing centers. Effective date to complete transition - 11/1/99
- Conduct formal 90 day review, 1/10/00

### Phase II Changes

- These are the proposed changes for the second phase of the New Season. Once the first phase is underway, we will begin to pursue these initiatives.
- Introduce standards for credit, closing documentation and customer service for individuals and teams to encourage speed and discipline.
- Develop a clearly defined appeals process for declined deals.
- Plan to make regular SBA Office Contacts to make better use of our partnership with the SBA.
- Plan for regular management visits to production teams.
- Establish review procedures for proposals and concerns that involve more than one department.
- Clarify formal procedures for management meetings and decisions.
- Pursue development of new products: 504, Business & Industry programs, conventional loan products.
- Refine pricing strategies by giving more guidance, better tools, clearer parameters.
- Modify incentive plan for 2000 based on revised goals.

### Change and Direction in General

*What's the real force behind these changes? Are we just trying to get people to work harder without increasing staff?*

There is no hidden agenda behind these changes. You can read all about the reasons in this document. To survive and thrive, we have to improve our process and our communication. That's it.

These changes are not some elaborate ruse to make fewer people do more work. If you look at the org chart, you'll see that we're actually adding positions. We not saddling our production teams with extra burdens without giving them extra resources and tools. For example, a few months ago, if you had asked a closer to show you a map of the closing process, she would have had to draw one up herself from scratch. We had never found the time to do that until last June. A clearer process is one important step toward working smarter. It's evidence of the kind of tools we're committed to giving our employees.

You may be skeptical about the reason for these changes. You may be waiting for the other shoe to drop, to see what's *really* behind it all. In fact, you hold the other shoe, and dropping it is up to you.

You will determine the success of these changes by your commitment to making our process work and finding better ways to be fast and thorough.

## QUESTIONS AND ANSWERS

*With all the new RAMs, how do we expect to provide timely service when we haven't been able to with our current level of RAMs?*

First of all, we will add more people. We have already initiated a search for additional credit and closing personnel to handle the increased capacity from our new regional account managers. Our goal is to have three fully staffed production offices by November 1 that will meet or exceed the standard industry ratios for sales versus credit and closing.

- We've defined the process to give a clear picture of how a loan moves through our system. We don't need to reinvent the process for every deal or in every office. We have a benchmark to learn from and tweak.
- To speed underwriting, we will use Customer Liaisons to help make sure a loan package is complete, so the RAM can focus on going out to get more deals. We will also use our former credit analysts as underwriters who will then submit their analyses to the Production Manager for approval.

- To speed closing, we have realigned some critical steps in the closing process to reduce the number of times we have to wait for the customer.
  - We will also have fewer handoffs between production team members. Each player will stay with the deal for more of the process, saving the time it takes to learn about a deal and fill out yet another checklist.
  - Also, we will use the Production Manager to guide the closing process, making sure that deals stay on track.
  - Finally, we have a new Senior Attorney whose chief task will be to resolve the legal problems we've been facing with our closings.
- Overall, we will also work to increase our overall efficiency by emphasizing teamwork and clear communication. It will take a few weeks to implement, but we intend to see an increase in speed and quality.

One more thing, as Kent Anderson has observed, "We're not only changing the structure of the process, but we're changing the way and our ability to make changes if needed. We are committed to making changes when needed!"

*Won't "remote" RAMs have a tougher time with fewer production teams and more distance between them?*

First of all, we will balance production loads across the teams as needed. We don't want RAMs to have to wait in line for one team when another is idle.

Beyond that, we realize that there are inherent disadvantages to having RAMs apart from the production teams. Both production and sales management are aware of these limitations. We're looking for additional ways to create a greater production team presence in remote offices by:

- having management spend more time in the field
- having RAMs spend time with the production teams
- finding better ways for RAMs to communicate easily with the production teams

We're also want to offset the disadvantage of distance with speed and quality. Our process should be faster and better managed for all RAMs, down the hall or across the country.

#### Office Consolidation

*How will we reassign RAMs to production offices?*

We have identified a workload transition plan which will, from 9/20 to 11/1, allow for a smooth transition of RAM production from Chicago and

Denver to the other production units. We have already identified which RAMs will bring deals to which offices and will begin to put these teams together at our Greenville meeting.

*How will we handle the production coming from Denver and Chicago when the other offices are already taxed?*

Obviously, we hope that our overall process will be more efficient to ease the burden of the shifting load. To make the loads realistic, we have already begun a search for additional credit personnel and will be phasing in other new positions to help shoulder the production load in these offices. Our goal is to have three fully staffed production offices by November 1 that will meet or exceed the standard industry ratios for sales versus credit and closing.

"We're not only changing the structure of the process, but we're changing the way and our ability to make changes if needed. We are committed to making changes when needed!"

In addition, we will move this production over a 60 day period to give time for the adjustment. During that time, we will be better able to determine if there are other accommodations we need to make to handle the new loads.

*What does "fully staffed" mean? What are the "industry ratios?"*

The industry standard for RAMs to Underwriters to Closers is 4:1:1. We will have 4:1:1.5 plus 2 Liaisons to help with a good portion of the customer contact load. Our staffing is better than the industry standard.

Therefore, a fully staffed production team at this point has the following members:

- 8 Regional Accounts Managers
- 2 Customer Liaisons
- 2 Credit Officers
- 3 Closers
- 1 Production Manager

*How will we get more space for Dallas, Tampa and Greenville?*

We expect to have adequate office space for all our production teams. Tampa already had definite expansion plans. Greenville will have additional space when the corporate offices move. Dallas has begun the process of finding additional space.

### Production Teams

*Who will be the Team Leader in Dallas?*

We will be accepting applications for this position, both internally and externally, and will choose the best candidate. Paul Burch has agreed to serve as interim Production Manager West until the position is filled. Paul will occasionally be joined by Richard Edelman, Brendan Eccelston, Kent Anderson, Don Ford and Steve Kaminski.

*Will the new Senior Credit Officer support these changes or will he pull us in his own direction?*

We fully expect the new Senior Credit Officer to make the current plan work. We are committed to this direction and he shares that commitment.

*What will be the credit authority level Processing Centers?*

The new Senior Credit Officer will review the credit authority in each production team. Our recommendation will be that he will increase the authority for some of the production managers to move deals more quickly.

*Is this the first step to centralization? Is centralization under consideration?*

Flatly, no. Scott Barber, the CEO of TSBC, has made it clear that he supports the office consolidation plan and the other changes as they stand, without any future move to centralization. TBCC, our parent company, obviously expects us to perform. But they expect us to perform as a decentralized operation. They expect us to take the time to make this structure work. How much time? Three years—although we expect to see results before then. Three years is a reasonable amount of time to judge the success of any plan.

This is not part of a two-step process. This is not a prelude to further cuts. This is a plan to make the most of who we are—a national lender with lean, regional production teams.

### TSBC and the Market

*We use to differentiate ourselves based on local underwriting, and speed of approvals. We now will be much more similar to our competition. How do we maintain our individual, differentiated identity?*

We intend to keep our edge—not with local underwriting, but with responsive underwriting. To offset the loss of local underwriters in

Denver and Dallas, we are giving a boost to our speed and quality in a way that we never have before. We'll still be unique.

Granted, these changes won't kick in right away, but we do expect to see tangible results in the next few months. We'll take a look at our 90 day review and see how we've done.

*How will these changes give us more of a competitive edge in the market?*

Undoubtedly there will be questions and concerns about the recent TSBC process improvement and its effects on those TSBC offices which will be experiencing closure of the underwriting and closing departments. Here are some important customer benefits to the process changes:

- TSBC is reducing the number of processing teams from 5 to 3 to better control the underwriting and closing process and to better serve our customer needs. “Control” of the process translates into more consistent underwriting and closing and will enable the Regional Account Managers to represent to the prospective borrowers exactly what TSBC is willing to provide and in what time frames.
- TSBC's goal is to reduce the time currently being experienced in the Underwriting and Closing of a request.
- TSBC has created an entirely new position (Customer Liaison) to assist the proposed borrower and Regional Account Managers in processing the loan. Approximately 8 new positions are being created.
- TSBC is establishing an internal Legal Department which will handle all 7(a) and 504 legal reviews. This is expected to result in significantly reduced legal expenses to the borrower and should be very competitive relative to the competition.
- The Regional Account Managers will have the ability to use any one of the 3 Processing Centers in the event their assigned Processing Center is unable to process the request on a timely basis.
- The underwriting of the loan, once the information is received and submitted to underwriting, will be tracked by the Production Manager (a newly created position) and internally by TSBC. The Regional Account Manager will be kept apprised of any and all problems or questions from underwriting. Underwriting will additionally provide the RAM with an estimated decision date.

TA is committed to us for the long term. They have been unequivocal in their support of every aspect of the change program.

TA and TSBC

*Is TA committed to TSBC for the long term or is this our last chance to prove ourselves?*

TA is committed to us for the long term. They demonstrated that first by supporting our decision not to securitize, which will create a profit loss in the short term, but will yield greater profits in the long-term. In addition, they have been unequivocal in their support of every aspect of the change program.

Having said that, we still have to make good on the commitments we've made to them. It's not the last chance to prove ourselves any more than any major business decision. Every plan has its risks. In other words, we can't expect to be careless and have TA bail us out. We always have to make careful choices and avoid the pitfalls that can imperil any business venture.

*How long will TA give us to prove that the new process is working?*

All the time it should reasonably take to demonstrate that we can make this plan work. While we don't have any firm deadlines, Scott Barber, our CEO, has talked in terms of three years. We agree that this is enough time to prove the worth of any business plan.

*Are these changes evidence of desperation?*

No. They are evidence of growth. We are moving ahead, maturing, becoming a bit wiser as an organization. We've learned from our mistakes and plan not to repeat them.

*How will the Aegon merger affect us? Will we have more pressure to perform?*

We don't have any inside information on this question. What we know is part of the public record. AEGON is considering spinning off the commercial finance division of Transamerica. If this happens, it won't happen soon; AEGON is still trying to digest the acquisition of TA as a whole. Also, if it does happen, we won't be alone; there are many different divisions that are part of the commercial finance unit. Actually, to be in the best possible position for any possible spin-off, we need to do exactly what we intend to do anyway—get our house in order, meet our commitments to TBCC and become the national leader in SBA lending. This will put us in a good position no matter what happens with AEGON.

Securitization

*What is the overall strategy of the company to make money without securitization?*

The reason why securitization has such a big impact on our numbers is that we are recording all of our gains up front instead of over the life of the loan.

But we give up a lot to do that: 1) transaction costs (approx. 2% of the deal size) and 2) we reduce our spread income on those loans because our cost of funds is lower for loans on the balance sheet than for loans sold in a securitization transaction.

In general, the profit plans for 2000, 2001 & 2002 are "re-set" to factor in no securitization. Year 2001& 2002 aren't final yet, but for year 2000, our target is to "break even" for operating income.

Primary ways to make money absent securitization are:

- Reduce cost of Origination
  - Process improvement (gradual increase in efficiency)
  - Reduce overall broker costs by diversifying our marketing efforts
  - Originate higher dollar loans (i.e. it costs us the same amount to originate a 250,000 and a 1,000,000 loan), but we make more money on the larger loan.
  - Increase our "capture rate"
- Portfolio Acquisitions (build balance sheet faster)

## NOW IT'S YOUR TURN.

Management has made a commitment. It's time for you to make a commitment to the people you work with. We say in our purpose that we need to honor our commitments, and that includes you.

Read the pledge we've written out below. If you're willing to make this commitment, sign it. We'll talk more about how we'll use this when we all meet in Greenville. If you'd like to wait to sign it, that's all right. But take some time to consider how your commitment here can help launch a successful New Season of change.

If this company is to have a heart, the pulse must come from me.  
If this company is to have a mind, I must lend the thoughts.  
If this company is to have a will, it rests upon my own.  
For a company has nothing save what single souls give it.  
So above the time and toil I give up every day  
I'll give my open eyes to see what lies beyond my job,  
I'll give my steady hands to lift the burdens of my team,  
I'll give my careful words to help find a better way,  
And I'll give this change a chance.

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Your Signature