

PD-ABM-444

**Deloitte Touche  
Tohmatsu**



*Slovenia Bank Rehabilitation  
Project*

*Final Report*

*Delivery Order No. 29*

*Contract No. EUR-0014-I-00-1056-00*

*Eastern Europe Enterprise Restructuring and  
Privatization Project*



*U.S. Agency for International Development  
ENI/EUR*

*January 29, 1996*

**Deloitte Touche  
Tohmatsu  
International**



January 29, 1996

Ms. Kim McKeon  
AID/ENI/PER/ER  
Room 3117, SA-15  
Washington, DC 20523

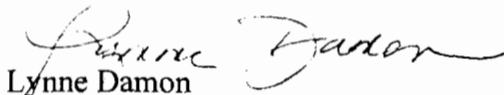
**Re: Contract No. EUR-0014-I-00-1056-00, Deliverables for Delivery Order No. 29,  
Slovenia - Bank Rehabilitation Project -- Final Report**

Dear Kim:

In accordance with Article IV of the above-referenced delivery order, enclosed please find the Final Report for the Slovenia Bank Rehabilitation Project.

If I can provide you with further information, please do not hesitate to contact me at (202) 879-5386. Copies of these reports will be distributed as detailed in the delivery order.

Sincerely,

  
Lynne Damon  
Senior Consultant

Enclosure

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**Policies and Procedures Implemented at the BRA  
Asset Management Department**

SUMMARY AND DESCRIPTION

The US AID Advisory Team has provided Federal Deposit Insurance Corporation - Division of Asset Services (FDIC-DAS) style policies and procedures to the Bank Rehabilitation Agency of Slovenia (BRA) which have been adapted to fit the unique needs of the Slovene banking system and the structure of the Agency. Specific policies and procedures developed are described below. Detailed documentation or examples relating to each activity is attached under appropriate blue sections.

1. Filing System

A comprehensive filing and documentation control system has been installed that insures all loan documents and materials are uniformly compiled and managed. Account Officers previously had random personal files in addition to those unorganized files acquired from the three problem banks.

2. Organization Structure

The BRA has implemented an organizational chart that emphasizes hierarchical levels of management and staffing. Staff at each level have been briefed on their role in the structure, and management has focused on filling vacancies with qualified personnel. Mid level managers now supervise less significant asset management activities in lieu of senior managers.

3. Position Descriptions

A comprehensive position description has been provided for each BRA staff member. Job duties and responsibilities are now detailed explicitly, and staff members have a clearer understanding of what is expected of them.

4. Account Officer Training

Account Officers have been trained in the handling of problem loan assets, both in group seminars and one-on-one sessions. Topics included: Review and analysis of problem loans, preparation for debtor meetings and negotiations, documenting resolution efforts, financial statement and collateral appraisal analysis, development of loan work out alternative resolutions, debt-equity swaps, net present value/estimated cash recovery calculations (NPV-ECR), etc.

5. Asset Status Reports

A format to compile information and summarize current status of each asset was developed. Account Officers and Managers were trained in the preparation and review of these reports, and a complete set for all assets was prepared as of September 30th., with updates to follow January 31st. This formatting allows Management and Staff to review accomplishments and to set specific goals, while providing a convenient medium in which to detail Asset collection activities. The Asset Status Reports have been

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accumulated in book form, and Managers have prepared a detailed summary for the BRA Board and other Government Ministries.

6. Board Case Proposals

Guidelines, examples and an outline for preparing board cases have been given to the Asset Department and have been translated and modified to accommodate the Slovenian needs. A Staff seminar on Board Case preparations and presentation has been completed. Each section of a board case has been reviewed with the account officers in detail. The Agency can now better summarize asset resolution proposals and provide the approving Board with improved analysis of alternative resolutions.

7. Delegations of Authority

In conjunction with the organization chart and job descriptions, a delegations of authority format has been provided to the Asset Department and is under consideration for implementation. By delegating decision making under certain monetary amounts and for certain actions, the Director's and the Department Manager's workload would be lessened, and the efficiency of the Department should increase.

8. Interactive Computer Network

A proposal on the design and implementation of an interactive computer network in the Asset Department was provided and is under review for funding. It would enable management to better monitor the activities of the department and give them immediate access to current asset status information. For instance, asset status reports would be accessible online for weekly update and review, and account officers could be trained to input a weekly diary of asset collection activities for management review.

9. Problem Asset Resolution

Continual assistance has been provided to the Account Officers as they work on individual asset problems. They have been provided with alternative resolution scenarios, negotiation strategies, file documentation reviews, financial analysis assistance, as well as general organizational advice.

MEMORANDUM

To: Andrew Lovegrove  
From: Mike Moore  
Date: July 15, 1994  
Re: Filing Systems Personnel

As we have discussed previously, the Bank Rehabilitation Agency (BRA) Asset Department has 15 account officers with 15 individual filing systems. In order to promote continuity and efficiency, there is a definite need to establish a uniform and, if possible, a central filing system for the department.

In this regard, I have proposed that we acquire the services of two filing specialists from the U.S. for approximately three weeks in September to provide hands on training for setting up a filing system for the department. Mr. Marijan Groff, department head, has recognized the need for these services and has approved of this plan.

Once I have approval to proceed with the plan and know what expenses will be reimbursed for the services of these specialists, I will contact them accordingly to see if we can persuade or entice their employers to cooperate in assisting on an international scale. The individuals I have in mind work for Contractors of the FDIC and have many years experience in this field.

If you have any questions, please let me know.

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MEMORANDUM

To: Marijan Groff  
From: Mike Moore  
Date: 6 September, 1994  
Re: Case Preparation, Asset Status Reports and File Systems

The filing system personnel from the United States, Rose Jacoby and Patricia Casconte, are scheduled to be here on Monday morning 12 September to assist your account officers in setting up and organizing their asset files. They will only be here for approximately two weeks, so we need to utilize their time as efficiently as possible. Therefore, it would be beneficial to arrange or schedule the account officers in order of availability beginning Monday morning so that Rose and Patricia can start immediately without any loss of time. Also, if the account officers who are more fluent in English could be scheduled at the beginning, they may be able to assist in training the others. Furthermore, it will speed up the process if the account officers can begin accumulating all the documentation and information that is to go in the files prior to Monday morning and have it available when the ladies arrive. In addition, Rose and Patricia will be bringing approximately 150 six-part file folders to use for the project.

As you know, we have provided your department with examples of asset status reports, an asset case preparation outline and procedures for preparing asset cases. It is my understanding that these have now been translated into Slovenian for the account officers. Therefore, Dan and I are available to meet with your section chiefs and account officers at your convenience to discuss and answer any questions relating to these forms and procedures. Please let us know when we can be of assistance.

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## File Standardization Project

### Project:

This project has been implemented to create a standard for loan files maintained by the BRA. All loan files should be of a universally standard format. This standard format will increase productivity and reduce or eliminate time searching for specific data or documents. This project is based on file management practices used in the United States. This new format should facilitate reporting requirements and ease transition of files between officers.

Prior to this project, loan files were not kept in any particular manner. In most cases, each officer had their files segmented and stored in numerous locations within their office. In the event of an officer's absence, it would be difficult to locate all the relevant data. This process could be very time consuming and unproductive.

Our project goal was to create a Financial file and a Loan file for each credit. These files will be used daily by the BRA officers. The Financial file has been designated to house fiscal data of each debtor. BRA work-out strategies and analysis would also be maintained in this file. The Loan file should contain all other data related to the asset including loan agreements, collateral documents, legal and bank action documentation, correspondence and miscellaneous items.

We have organized approximately one-third of the asset files. Our focus was to organize as many files as possible within our assignment with an emphasis on training the officers to use the new files. Training included showing the officers how to create new files and to maintain the organized files. This was achieved by working with each officer on a one-to-one basis. The officers were asked to sort the documents related to their assets into the general categories outlined on the attached lists. These lists were modified and enclosed inside each file. The modified list became the table of contents for each file.

The table of contents section categories are GENERAL in nature. Example documents are listed for each general category. Documents for each category are NOT limited to those specifically cited. Officers were encouraged to review the organized files and discuss any required changes. The language barrier contributed to the mis-filing of some documents by the project team. We had to rely on officer translation and our use of a Slovene-English dictionary to communicate or place documents.

### Project Notes:

Each officer has a binder or book of loan documents which was received by BRA from the bank at the time of take-over. These documents were not organized into the new files. It is our understanding that only documents received since take-over are contained in the new loan files. BRA officers were hesitant to remove documents from the bank's files or binders. They were not familiar with a standard filing system and were concerned they would not be able to locate these bank documents if they were integrated into the new files.

### Suggestions:

The bank documents housed in separate binders should be integrated into the newly created files. ALL documents should be housed in ONE uniform filing system. The work-out officers should follow one set of procedures and policies to ensure a productive work environment. Individual policies and procedures results in confusion and lack of individual discipline. As a result of this project, co-workers should be able to transfer or work together on an asset with relative ease. The implementation of a standard filing system stream-lines this process.

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cont. page 2 of 2

Each officer now knows where to find a specific document or data regardless if he is working with his file or a colleague's. Prior to this project, it was reasonable to expect an officer to need several days to familiarise himself with an asset previously managed by someone else. Now, the officer should be fairly acquainted with the asset in a few hours.

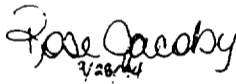
It is customary in the US for original notes or loan agreements and negotiable collateral to be placed in a secure fire proof area. During the course of this project, we have seen loan agreements and signed account debit authorizations (amount open) in original form consistently throughout the files. Therefore, it is our suggestion that a copy of these original documents should be placed in the organized files and the original document placed in a secured area. This area would be best if it were fire proof. These original documents should be routinely audited to ensure BRA possession. These original documents are required to support your claim and facilitate liquidation strategies with the debtor. Lost, misplaced or destroyed items could cause collection difficulties.

The number of Financial and Loan files related to each asset or relationship should be noted by the managing department and routinely audited. This audit would merely verify the continued existence of said files. This information would be beneficial in transferring assets to a new officer.

Each officer should create standard files for all remaining assets that were not organized by the project team. This process should take place as soon as possible. The project team has provided each officer with supplies to complete this task. The attached instructions were also given to each officer to assist them in this directive.

Conclusion:

The effectiveness and benefits of this project is dependant on the continued use of the procedures set forth by the project team. This project was intended to create a foundation by which other proven business practises used in the US could be implemented here. The basic design of the organized files should be modified to accommodate the growing needs of the agency or mandated changes in the law.

  
7/28/94  
Rose Jacoby

  
28.9.94  
Patricia Cascante

Ladies and Gentlemen:

Please use the attached forms to organize your files after we have left. We will leave a supply of files and tabs for your continued use. Please remember the section categories are general in nature and the forms listed below each category are examples. We did not list every form, merely a sampling.

You will need to continue to add documents to the organized files after we leave. You will be expected to organize your other files, as well. If you have any questions, please ask. Our last day will be this Friday.

We have enjoyed working with each of you very much. This has been a most enjoyable visit. We have fallen in love with your country. It is beautiful. Thanks for sharing it with us and being so kind to us.

A handwritten signature in cursive script, appearing to read "Rose Patricia".

*Rose and Patricia*

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**Kredit Kazalo (Loan Data - Checklist)**

**Dolжник (Debtor)** \_\_\_\_\_

**Section No. 1 (Left Side) - Kreditne in Garancijske Pogodbe (Loan Agreements)**

- ( ) Kratkoročnem Kreditu (Short Term Credit)
- ( ) Lastna Menica (Promissory Note)
- ( ) Jamstvo (Guaranty/Warranty)
- ( ) Pogodbe Terjatev (Demand Contract)
- ( ) Izpopolnitev Obreynosti (Improvement Obligation)
- ( ) Poravnana (Settlement)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Section No. 2 (Right Side) - Zavarovanja (Collateral)**

- ( ) Vrednostne Listne (Negotiable Items)
- ( ) Dvig Zavarovanja (Released Collateral)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Section No. 3 (Left Side) - Podatki o Stečaju in Prisilni Poravnavi (Court/Bank Action)**

- ( ) Lastništvo Firme (Liabilities of Firm)
- ( ) Aktiva Firme /Prijava Zavarovanja (Assets of Firm/Court Entry of Assets)
- ( ) Prijava Terjatev Sodišču (Proof of Claim)
- ( ) Prevzetna (Bank Take-over Information)
- ( ) Odstop Terjatev (Withdrawal Claim)
- ( ) Terjatve Po Devizni Garanciji (Demand of Assets from Guaranty)
- ( ) Popis Terjatev in Potencialnih Obveznosti (List Demand Obligation)
- ( ) Stanje Terjatev in Potencialnih Obveznosti (Condition Demand Obligation)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Section No. 4 (Right Side) - Korespondenca (Correspondence)**

- ( ) Dolжник (Debtor)
- ( ) BRA Korespondenca (BRA Letters)
- ( ) SKLAD
- ( ) Other
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Section No. 5 (Left Side) - Ostalo (Miscellaneous)**

- ( ) Odzivna Provizija (Commission Notice)
- ( ) Pravna Pisarna (Legal Office Charges/Bill)
- ( ) Sestanki Zapisnik (Minutes/Memorandum of Meetings)
- ( ) Obračun Obresti Revalorizacije (Interest Calculations)
- ( ) Ponudbe (Offers to Purchase)
- ( ) Izpisek Odprtih Postavk (Audit)
- ( ) Raspis (Public Invitation/Advertisement)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Section No. 6 (Right Side) - BRA Poročila (BRA Reports)**

- ( ) Poročila
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

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**Dolžnik Poročila Kazalo (Debtor Information - Checklist)**

Dolžnik (Debtor) \_\_\_\_\_

**Section No. 1 (Left Side) - Strategija (Strategy)**

- ( ) \_\_\_\_\_ (Loan Application)
- ( ) Nalog Za Izvršitev Nakayila Tujino (Foreign Participation)
- ( ) \_\_\_\_\_ (BRA Advisory memos)
- ( ) \_\_\_\_\_ (Project Notes/Officer Notes)
- ( ) \_\_\_\_\_ (Proposals/BRA to Debtor, Customer)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Section No. 2 (Right Side) - Finančna Poročila (Financial Statements)**

- ( ) Finančna Poročila (Financial Statements)
- ( ) Bilanca Stanja (Balance Sheet)
- ( ) Osnovni Podatki o Podjetju (Main Data of Firm)
- ( ) Revizija (Audit)
- ( ) Analiza (Analysis/Appraisals of Company Worth)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Sections No. 3 (Left Side) - Finančna Poročila**

- ( ) Finančna Poročila (same as Section No. 2, use as needed to segregate by year or to designate subsidiary data)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Section No. 4 (Right Side) - Finančna Poročila**

- ( ) Finančna Poročila (additional statements by year or subsidiary data)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Section No 5 (Left Side) - Finančna Poročila**

- ( ) Finančna Poročila (additional statements by year or subsidiary data)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

**Section No. 6 (Right Side) - Kredit Data (Credit Information)**

- ( ) \_\_\_\_\_ (Other)
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_
- ( ) \_\_\_\_\_

MEMORANDUM

To: Marijan Groff

From: Mike Moore *M*

Date: December 12, 1994

Re: Procedures for File Preparation and Maintenance

As an addendum to Rose Jacoby and Patricia Casconte's report on setting up a filing system, we have prepared the following procedures for file preparation and maintenance for your review. Please let us know if you have any questions.

## PROCEDURES FOR FILE PREPARATION AND MAINTENANCE

### NOTES

#### 1. Locating and Securing Notes:

Notes should be located and secured in a fireproof location as soon as possible. Only BRA employees should have access to the notes.

#### 2. Obtaining Trial Balance Reports:

An alpha trial balance report combining all loan types should be obtained, if possible.

#### 3. Balancing Notes to the Trial Balance Report:

Notes are to be verified with the trial balance report. All exceptions are to be noted on the trial balance report to reflect any and all missing notes. If only a copy of the note can be located, this should be clearly noted on the trial balance report.

#### 4. Copying the Notes:

A copy of each note should be made and placed in the asset credit file with the original secured in the fireproof location.

### NEGOTIABLE COLLATERAL

Negotiable collateral is defined as items which can easily be turned into cash such as:

- \*Stocks and bonds
- \*Jewelry or precious stones
- \*Currency collections
- \*Coin collections
- \*Life insurance

#### 1. Locating and Securing Negotiable Collateral:

All negotiable collateral should be located and secured as soon as possible after any asset is transferred to the BRA. This should be done with at least one witness and secured in a fireproof location separate from the regular collateral. Access should always be under dual control.

#### 2. Copying Negotiable Collateral:

All negotiable collateral should be copied. If there are items such as jewels, coins or currency which can not be copied, a copy of the securing document and a detailed description will be appropriate.

#### 3. Inventorying Negotiable Collateral:

A detailed inventory should be maintained for all negotiable collateral listing debtor name, loan number, date and all negotiable collateral.. This form is to remain intact and placed with the original negotiable collateral and the copies of the negotiable collateral.

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## REGULAR COLLATERAL (NON-NEGOTIABLE)

### 1. Locating and Securing Regular Collateral:

The regular collateral will usually be located in the bank's credit file, but may be in a separate collateral file. The collateral should be secured as soon as possible in a fireproof area. A BRA employee should be present during all access to the collateral. The bank's credit files should be purged by someone who is very familiar with collateral to ensure that all collateral is removed and placed in separate secure collateral files.

### 2. Copying the Collateral:

A clear and accurate copy should be made of all collateral and placed in the credit files.

### 3. Inventorying the Collateral:

A complete and thorough inventory should be made of all collateral listing the debtor, date, description of collateral, amount and location.

## Credit Files

### 1. Purging the Credit Files:

The credit files should be purged for any original notes and collateral with the originals being replaced with copies. The credit files should be purged by individuals who are very familiar with collateral to ensure that all collateral is properly purged. Removing anything from the credit file once the loan has been consolidated would disturb the integrity of the file.

### 2. Preparing the Credit Files:

All credit information should be placed in six-part file folders which should be stamped with the "Credit" stamp and have the bank number or name stamped or written on the outside of the file. The debtor's name and loan numbers should also be on the outside of the file. In not, a label should be attached with this information. Notation should be made on the master trial balance inventory identifying the number of credit files that exist for each loan. Any loose documentation should be attached in the credit files.



POROČILO

Prejemnik: Marijan Groff

Pošiljatelj: Mike Moore

Predmet: Postopki za pripravo in shranjevanje kartotek

Kot dodatek k poročilu Rose Jacoby in Patricie Casconte o ureditvi kartotečnega sistema, smo vam pripravili še naslednje postopke za pripravo in shranjevanje kartotek. Prosimo vas, da nam sporočite, če imate še kakšna dodatna vprašanja.

## POSTOPKI ZA PRIPRAVO IN SHRANJEVANJE KARTOTEK

### ZAPISKI

#### 1. SHRANJEVANJE IN VAROVANJE ZAPISKOV

Zapiske je treba takoj shraniti v prostoru, ki je varen pred požarom. Pravico dostopa v ta prostor imajo samo uslužbenci ASBH.

#### 2. ANALITIČNA EVIDENCA POSOJIL

Potrebno je narediti analitično evidenco posojil, v katero morajo biti vključene vse vrste posojil. Evidenca mora biti urejena po abecednem redu.

#### 3. USKLAJEVNJE ZAPISKOV PO ANALITIČNI EVIDENCI POSOJIL

Evidentiranje mora potrditi pristnost zapiskov. Razvidna morajo biti vsa odstopanja od originalov. Še posebej je treba navesti manjkajoče zapiske in označiti tiste, ki obstajajo samo v obliki kopij.

#### 4. KOPIRANJE ZAPISKOV

Narediti je treba kopijo vsake originalne zabeležke. Kopije morajo biti shranjene v kartoteki o posojilih skupaj z originali. Prostor, v katerem je kartoteka, mora biti varen pred požarom.

### LIKVIDNA ZAVAROVANJA

Likvidna zavarovanja so tista, ki jih lahko hitro spremenimo v denarno obliko, kot na primer:

- delnice in obveznice
- nakit in dragi kamni
- zbirke starih bankovcev
- zbirke starih kovancev
- življenjsko zavarovanje.

#### 1. SHRANJEVANJE IN VAROVANJE LIKVIDNIH ZAVAROVANJ

Vsa likvidna zavarovanja je potrebno shraniti takoj po prenosu sredstev na ASBH. Pri shranjevanju mora biti prisotna najmanj ena priča. Likvidna zavarovanja morajo biti shranjena ločeno od ostalih zavarovanj v prostoru, ki je varen pred požarom. ASBH mora podvojiti nadzor dostopa v ta prostor.

## 2. KOPIRANJE LIKVIDNIH ZAVAROVANJ

Narediti je treba kopije vseh likvidnih zavarovanj. Če zavarovanja ni mogoče kopirati (npr. nakit, kovance ali bankovce), mora ASBH narediti kopijo dokumenta o shranitvi in natančen opis likvidnega zavarovanja.

## 3. POPIS LIKVIDNIH ZAVAROVANJ

ASBH mora narediti natančen popis vseh likvidnih zavarovanj. Na popisu mora biti dolžnikovo ime, številka posojila, datum posojila in vrsta likvidnega zavarovanja. Popisu ne sme nihče ničesar več dodajati ali ga celo spreminjati. Shranjen mora biti skupaj z likvidnimi zavarovanji in njihovimi kopijami.

## NAVADNA (NELIKVIDNA) ZAVAROVANJA

### 1. SHRANJEVANJE IN VAROVANJE NAVADNIH ZAVAROVANJ

Banka ima navadna zavarovanja spravljena v kartoteki o posojilih ali pa v posebni kartoteki o zavarovanjih. Navadna zavarovanja je treba takoj shraniti v prostor, ki je varen pred požarom. Vsak dostop do kartoteke mora nadzorovati uslužbenec ASBH. Kartoteko mora urejevati oseba, ki je dobro seznanjena z vrstami zavarovanj, ki so v njej. Ta oseba mora vsa zavarovanja shraniti v posebej zavarovani kartoteki.

### 2. KOPIRANJE ZAVAROVANJ

Oseba, ki skrbi za zavarovanja, mora narediti jasno in natančno kopijo vsakega zavarovanja in jih shraniti v kartoteki.

### 3. POPIS ZAVAROVANJ

Oseba, ki skrbi za zavarovanja, mora narediti popis vseh zavarovanj. Na popisu mora biti navedeno dolžnikovo ime, datum in znesek posojila, opis zavarovanja, in prostor, v katerem je zavarovanje shranjeno.

## KARTOTEKA, V KATERI SO SHRANJENA POSOJILA

### 1. PREGLED KARTOTEKE O POSOJILIH

Iz kartoteke, v kateri so shranjena posojila, je treba izločiti vse originalne dokumente in zavarovanja in jih nadomestiti s kopijami. To nalogo je treba zaupati posameznikom, ki so dobro seznanjeni z vsebino kartoteke in jo bodo

zato znali pravilno shraniti. Ko je dokumentacija v kartoteki že zbrana in urejena, je ne sme nihče več premeščati, ker bi tako samo podrli celovitost arhiva.

## 2. PRIPRAVA KARTOTEKE O POSOJILIH

Vsi podatki o posojilih morajo biti shranjeni v šest-delnih mapah, ki morajo biti na zunanji strani označene z nalepko "Posojilo". Na mapi mora biti navedeno dolžnikovo ime in številka posojila. V glavnem popisu analitičnih evidenc mora biti navedena številka kartoteke in številka vsakega posojila posebej. Vsi samostojni dokumenti morajo biti shranjeni v kartoteki o posojilih.

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MEMORANDUM

To: Marijan Groff

From: Mike Moore  
Dan Glaspy

Date: July 19, 1994

Re: Asset Department Organization Chart

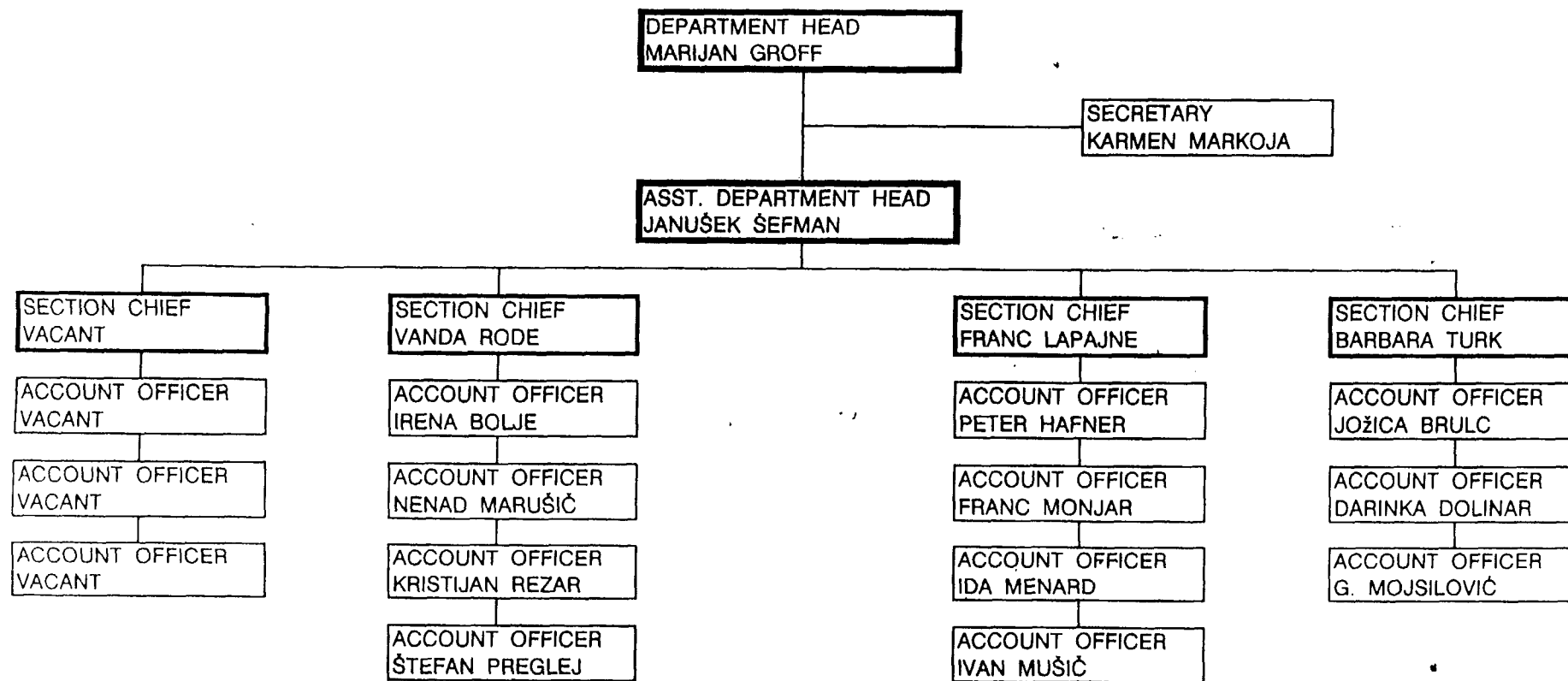
Attached please find a sample of an organization chart which we have prepared for your use as an aid in organizing your department. We have added additional positions for account officers which are reflected as being vacant only to show how the chart would appear if you were authorized to hire additional personnel. Please feel free to make any changes to this chart or let us know if we can be of further assistance.

c: Andrew Lovegrove

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ORGANIZATION CHART  
ASSET DEPARTMENT  
BANK REHABILITATION AGENCY

JULY 11, 1994



MEMORANDUM

To: Marijn Groff  
From: Mike Moore *[Signature]*  
Dan Glaspy *[Signature]*  
Date: July 5, 1994  
Re: Asset Department Job Descriptions

Attached please find a copy of the following job descriptions which we have prepared to assist in the organization of your Asset Department:

Department Head  
Assistant Department Head  
Section Chief  
Account Officer  
Credit Technician (Secretarial)  
Credit Clerk

Please feel free to make any changes in these descriptions to adapt to your particular needs. Also, if you need any additional information, let us know.

c: Andrew Lovegrove

## JOB DESCRIPTION

Classification: DEPARTMENT HEAD

Location: Bank Rehabilitation Agency (BRA)  
Ljubljana, Slovenia

The incumbent is responsible for the liquidation of a group of specialized assets requiring a staff of professional, technical support and clerical personnel. The size and complexity of this activity is considered to be at a high level. The level of this position is based on the organizational structure and the number and levels of positions supervised.

### Duties and Responsibilities

- Responsible for planning, directing and controlling the collections activity in accordance with BRA policy, objectives, delegations of authority, powers of attorney, and for recommending modifications to solve unusual situations.
- Assigns subordinate professional staff individual portfolios of assets, and reviews and evaluates, and reports the progress of liquidation activity to the General Manager of the BRA. Participates, if necessary, with subordinate staff in difficult, complex and sensitive conferences and negotiations with persons and organizations having outstanding obligations to the BRA. Such meetings concern repayments, work out arrangements, or foreclosure and resultant litigation.
- Is responsible for assigning, guiding, controlling and evaluating work. Makes technical decisions on problems referred for discussion by subordinates. Interviews and recommends the selection of candidates for existing vacancies. Keeps employees informed on administrative, technical, and operational procedures. Approves leave requests. Hears employees problems and complaints and resolves disciplinary problems. Ensures adequate facilities, equipment and supplies.
- Prepares periodic reports on outstanding payoffs, collections and delinquencies and reports to superiors. Makes recommendations as to action to be taken to collect debts.

### Supervisory Responsibilities

- Assign, direct and review the work of subordinate employees.
- Plan and carry out the training and development of employees.

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- o Evaluate employees' work performance.
- o Recommend selections, promotions, salary increases, status changes, awards, disciplinary actions and separations.
- o Plan, schedule and coordinate work operations.
- o Solve problems related to the work supervised.
- o Determine material, equipment and facilities needed.
- o Establish program and production goals, priorities, and work schedules.
- o Develop cost and budget analyses or forecasts.
- o Determine long range manpower requirements.
- o Explain and gain the support of employees for management policies and goals.
- o Performs other related duties as assigned.

Knowledge Required By The Position

- o Ability to supervise the liquidation of a group of assets including directing, coordinating and reviewing the work of others.
- o Thorough knowledge of the BRA organization, rules and regulations, procedures, policies and laws dealing with asset liquidations.
- o High degree of skill and expertise in liquidation and asset collection techniques, including an extensive knowledge of banking, bank accounting and financial analytical principles.
- o Ability to meet and negotiate with legal and banking representatives to resolve complex liquidation matters.
- o Ability to maintain the confidentiality required by the subjects with which the incumbent works.

Other Considerations

- o Extensive travel may be required.

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## JOB DESCRIPTION

Classification: ASSISTANT DEPARTMENT HEAD  
Location: Bank Rehabilitation Agency (BRA)  
Ljubljana, Slovenia

The incumbent is responsible for the liquidation of a major block of specialized assets requiring a staff of professional, technical support and clerical personnel. The assigned staff and available resources are managed in the most effective and efficient manner for the purpose of assuring that assigned portfolios are handled properly to maximize recovery for the BRA. The size and complexity of this activity is considered to be at a high level.

### Duties and Responsibilities

- o Responsible for planning, directing, and controlling the collection activity in accordance with BRA policy, objectives, delegations of authority, powers of attorney, and for recommending modifications to solve unusual or novel situations. Incumbent may be required to work the most complex, difficult, and sensitive assets.
- o Assigns, subordinate professional staff individual portfolios of assets, and reviews and evaluates, and reports the progress of liquidation activity to the Department Head.
- o Participates, as necessary, with subordinate staff in difficult, complex and sensitive conferences and negotiations with persons and organizations having outstanding obligations to the BRA. Such meetings concern repayments, work out arrangements, or foreclosure and resultant litigation.
- o Monitors the progress of the liquidation of assigned assets by reviewing the collections made, type of work out or repayment plans being provisionally negotiated, correspondence being initiated, methods and procedures used for collections and the status of asset case files. Gives direction, advice and counsel to subordinate staff on technical and procedural aspects of assigned assets.
- o Serves as a technical authority regarding the inventory, custody, appraisal, maintenance, security, and disposition of assets. This includes meeting with the largest debtors, debtors' counsel, and BRA counsel to reach solutions on debtor liabilities to the BRA. Solutions encompass repayments, work out arrangements, or foreclosure and resultant litigation.
- o Develops cost and budget analyses or forecasts.

- Prepares periodic reports on outstanding loans, payoffs, collections and delinquencies and reports to superiors. Makes recommendations as to action to be taken to collect debts.
- Supervisory functions include: determining long range manpower requirements; planning, scheduling and coordinating work operations; reviewing employee performance evaluations; keeping subordinate supervisors informed of administrative, technical and operational procedures; hearing employee complaints; planning, assigning and evaluating work of subordinate supervisors and staff; and developing and providing on-the-job training.
- Recommends selections, promotions, salary increases, status changes, awards, disciplinary actions, and separations. Hears employee problems and complaints, and resolves disciplinary problems. Explains and gains the support of employees for management policies and goals. Ensures adequate facilities, equipment and supplies.
- In the absence of the Department Head, may function in that capacity within the limits of authority delegated to the incumbent.
- Performs other duties as assigned.

Knowledge Required By The Position

- Ability to manage the liquidation of a major block of assets requiring supervising the work of others.
- Extensive knowledge of the BRA organization, rules and regulations, procedures, policies, and laws dealing with bank liquidations.
- High degree of skill and expertise in liquidation and asset collection techniques, including an in-depth knowledge of banking, bank accounting, and financial analytical principles.
- Ability to meet and negotiate with legal and banking representatives to resolve complex liquidation matters.
- Ability to maintain the confidentiality required by the subjects with which the incumbent works.
- Ability to communicate effectively, orally and in writing.
- Ability to deal and implement plans covering work operations, personnel management, budgeting and reporting on assigned areas.

## JOB DESCRIPTION

Classification: SECTION CHIEF  
Location: Bank Rehabilitation Agency (BRA)  
Ljubljana, Slovenia

The incumbent is responsible for the liquidation of a group of specialized assets requiring a staff of professional, technical support and clerical personnel.

### Duties and Responsibilities

- o Assigns individual portfolios of assets to subordinate professional staff and reviews, evaluates and reports the progress of liquidation activity to the Department Head or Assistant Department Head. Participates, as necessary, with subordinate staff in difficult, complex, and sensitive conferences and negotiations with persons and organizations having outstanding obligations to the BRA.
- o Is responsible for assigning, guiding, controlling and evaluating work. Makes technical decisions on problems referred for discussion by subordinates. Interviews and recommends the selection of candidates for existing vacancies. Keeps employees informed on administrative, technical and operational procedures. Approves leave requests and hears employee problems and complaints. Ensures adequate facilities, equipment and supplies.
- o Prepares periodic reports on outstanding payoffs, collections and delinquencies and reports to superiors. Makes recommendations as to action to be taken to collect debts.

### Supervisory Responsibilities

- o Assign, direct and review the work of subordinate employees.
- o Plan and carry out the training and development of employees.
- o Evaluate employees' work performance.
- o Recommend selections, promotions, status changes, awards, disciplinary actions and separations.
- o Plan, schedule and coordinate work operations.
- o Solve problems related to the work supervised.
- o Determine material, equipment and facilities needed.

- Establish program and production goals, priorities and work schedules.
- Develop cost and budget analyses or forecasts.
- Determine long range man power requirements.
- Explain and gain the support of employees for management policies and goals.

Knowledge Required By The Position

- Ability to supervise the liquidation of a group of assets including directing, coordinating and reviewing the work of others.
- Thorough knowledge of the BRA organization, rules and regulations, procedures, policies and laws dealing with asset liquidation.
- High degree of skill and expertise in liquidation and asset collection techniques, including a thorough knowledge of banking, bank accounting and financial analytical principles.
- Ability to meet and negotiate with legal and banking representatives to resolve complex liquidation matters.
- Ability to maintain the confidentiality required by the subjects with which the incumbent works.

## JOB DESCRIPTION

Classification: ACCOUNT OFFICER  
Location: Bank Rehabilitation Agency (BRA)  
Ljubljana, Slovenia

Independently reviews, analyzes and makes recommendations concerning the handling of an assigned portfolio of assets.

### Duties and Responsibilities

- Must be knowledgeable about and comply with BRA policies, procedures and guidelines related to loan matters and the disposition of the collateral security connected thereto.
- Collects the assets assigned according to their terms and/or determines appropriate work out programs in accordance with BRA guidelines.
- Whenever work out programs are necessary, obtains and analyzes financial statements from debtors and seeks additional collateral to enhance overall recovery on the assets. Evaluates the financial statements to determine the appropriateness of settlement transactions and the acceptable level of payment for compromises.
- Negotiates with debtors to keep assets current, obtains additional collateral as a result of work out programs, and improves settlement offers.
- Monitors the payment records of debtors and appropriate collection actions to minimize delinquencies. Whenever debtors are in serious default, takes appropriate action to legally repossess or foreclose collateral security.
- Analyzes work out and restructure alternatives using net present value techniques. Prepares written proposals to support recommended work out scenarios for BRA approval.
- Performs other related duties as assigned.

### Knowledge Required By The Position

- Broad knowledge of liquidation techniques including such areas as: commercial loans, real estate loans, installment loans, industrial loans and international loans.
- Thorough knowledge concerning the analysis of financial statements.

- Ability and sound judgment in appraising or determining the value of assets.
- Ability to negotiate, often in a controversial setting, with knowledgeable individuals, law firms, banking groups, etc., to gather information and explain BRA collection procedures.
- Demonstrated ability to respect the confidentiality required by the subjects with which the incumbent works.
- Broad knowledge of the BRA policies and procedures for matters related to the assigned asset portfolio.
- Thorough knowledge in banking and receivership theory and practices.

## JOB DESCRIPTION

Classification: CREDIT TECHNICIAN (Secretarial)  
Location: Bank Rehabilitation Agency (BRA)  
Ljubljana, Slovenia

This position performs technician duties in support of the account officer staff.

### Duties and Responsibilities

- Under general supervision, reviews loan files and extracts information. Checks for collateral exceptions, insurance expiration dates, financial statement replacement dates, and real estate tax payment due dates.
- Determines that all supporting documentation is in proper order to permit orderly litigation, foreclosure or sale, or release of lien position.
- Reviews reports generated to notify loan collection staff that exceptions and needed documents, payments, filings, etc. are lacking.
- Prepares and types routine correspondence to debtors concerning repayment schedule. Drafts and types monthly and quarterly BRA reports.
- Aids loan collection staff with special projects and will provide additional general support to professionals working on commercial, other assets and real estate loans.
- Must have the ability to communicate with attorneys, bankers, and the general public in a professional manner, and be able to speak with debtors and handle routine matters without supervision.
- Performs a variety of other technical support duties which include: requests for credit information, maintenance of appraisal filing system, inspection for collateral, etc.
- Performs other clerical duties including, but not limited to:
  - Converts rough draft or handwritten notes into typed memorandums, reports and correspondence.
  - Assembles documentation and required material to forward final product upon completion.
  - Receives telephone calls and provides general information.



- Refers calls to the appropriate person or office.
  - Responsible for maintaining and requisitioning office supplies.
  - Maintains filing system, photocopies documents and sorts and distributes mail.
- o Performs other related duties as assigned.

Knowledge Required By The Position

- o Knowledge of functional responsibilities of the BRA office.
- o Knowledge of records management techniques.
- o Knowledge of the various forms and reports that are necessary for reporting on the BRA site activities.
- o Basic knowledge of bank BRA methods, techniques and regulations.
- o Ability to meet and deal tactfully with debtors and other persons to explain collection processes, debtors obligations, etc.
- o Knowledge of or background in business and/or financial operations.
- o Ability to use word processing equipment or personal computer as needs of the office dictate.

## JOB DESCRIPTION

Classification: CREDIT CLERK  
Location: Bank Rehabilitation Agency (BRA)  
Ljubljana, Slovenia

This position performs clerical support work that is considered to be at an entry or routine level of difficulty and complexity.

### Duties and Responsibilities

- Creates files for department or section pertaining to loan collection, loan processing, or associated administrative functions.
- Assists in the establishment of tickler systems for a variety of actions such as internal reports, insurance policies, tax notices, loan processing activities, etc.
- Inputs information on computer to update tickler system. Retrieves data as requested.
- Performs preliminary review of loan documentation for completeness and accuracy (i.e. all information filled out, signatures, item was referred to correct section). Processes simple loan documents as required.
- Reviews incoming correspondence to determine action and routes to appropriate staff member. Reviews outgoing correspondence for accuracy and conformance to standard format. Selects appropriate form letter to send to debtor and fills in pertinent information regarding insurance, loan collection, taxes, etc.
- Assists in the maintenance of a variety of records such as paid and delinquent tax records, and insurance expiration or cancellation. Keeps supervisor or appropriate account officer informed on status of such actions.
- Answers routine phone inquiries, providing requested information.
- Orders various reports as requested such as research reports, appraisals, title opinions and financial statements.
- Determines appropriate receiver for a variety of documents and mails or routes copies as necessary.

- Provides additional administrative support by preparing, updating and filing policy and directive manuals, opening and routing mail, and filing.
- Performs other related duties as assigned.

Knowledge Required By The Position

- Basic knowledge of or the ability to learn the functions and procedures of the BRA.
- Knowledge of loan documents and associated documents.
- Ability to operate a personal computer and enter and retrieve information.
- Knowledge of office clerical procedures.
- Ability to review and analyze records to gather information.

MEMORANDUM

TO: Marijan Groff  
Director, BRA Assets Department

FROM: Mike Moore  
Dan Glaspy  
Work Out Advisors

DATE: 28 November 1994

RE: Estimated Cash Recovery (ECR) Calculations and Worksheet

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Attached is an example of an "ECR Worksheet" that was used at the FDIC to determine the estimated cash recovery from the liquidation of collateral. This uniform format allows each Account Officer to calculate the costs and timeframes for liquidation of collateral, or for other income, such as cash debt settlements. It has a net present value (NPV) calculation built in, with the Account Officer able to adjust the discount factor. This is a valuable tool in helping the Account Officer to calculate the BRA's return from different liquidation scenarios for each asset/claim; it is an excellent substantiation for Board Case Proposals.

Also attached is an "Estimated Cash Recovery Guidelines" sheet. It was researched and prepared to provide a standard set of costs and fees associated with foreclosure of real estate. The same research could be done in Slovenia for all types of collateral, including real estate. Again, this is a valuable tool for the Account Officers, as it can be used to standardize the costs/fees of the liquidation of collateral assets, while giving the BRA Management a more secure basis from which to base approval decisions.

The BRA may want to consider re-styling these worksheets to fit the assets/claims its Account Officers are handling. Dan Glaspy recently went over these formats with Ida Menard and discussed how they might be used in relation to one of the assets/claims that she is working on. She may be willing to work on adapting them to fit the BRA needs, as she understood how they might assist in evaluating liquidation alternatives for assets she is working on.

There are some points for the BRA to consider when using such a format:

**Appraised value of Collateral.** The BRA should consider requesting each of its borrowers having an outside appraisal or evaluation completed for all company assets. This would be necessary for bankruptcy, company re-structure, or privatization, and should be undertaken immediately. In cases where the borrower claims not to have funds for asset appraisals, the BRA should consider funding them. If the BRA will not require outside appraisals, it should then consider setting an Agency standard for Account Officers to value company assets, say by audited company

financial statements or internal estimates. This is critical; if there is no accurate asset appraisal, the BRA risks losing recoveries from undervalued estimates of collateral asset liquidations.

Discount Rates. The BRA may want to instruct Account Officers to use standard discount rates when calculating the ECRs and NPVs. The Account Officer could be allowed to deviate up or down from the standard discount rate if specific asset circumstances/risks can be adequately explained to support such. Standard discount rates could be pegged to the Bank of Slovenia Bond yield rate, the R + % lending rates of area banks or other indexes that would support the risk/returns that investors are requiring in Slovenia.

We would be happy to work with you or your staff in restyling these formats to fit the BRA's need.

## POVZETEK

za: Marijan Groff  
Direktor za upravljanje s terjatvami ASB

od: Mike Moore  
Dan Glaspy  
Tuji svetovalci

Datum: 28. November 1994

### Zadeva: Izračun Predvidenih Gotovinskih Poplačil (PGP) in Preglednica

V prilogi vam pošiljam primer "PGP Preglednice", ki je bila uporabljena tudi v FDIC za določitev predvidenih poplačil iz naslova vnovčitve (likvidacije) zavarovanj. Ta enovit obrazec omogoča vsakemu računovodji izračun stroškov in časovnega okvira pri vnovčevanju (likvidaciji) zavarovanj oziroma ostalih prihodkov, kot so denarne poravnave dolgov. Vgrajeni izračun neto sedanje vrednosti (NPV) omogoča računovodji, da prilagodi diskonto/eskontno stopnjo. Gre za dragoceno orodje, ki pomaga računovodji pri izračunovanju donosnosti iz naslova različnih vnovčitvenih (likvidacijskih) scenarijev za vsako sredstvo/terjatev, in je izvrsten pripomoček pri ponudbah, ki se obravnavajo na odborih.

Prav tako je priložena tudi preglednica "Smernic predvidenih gotovinskih poplačil". Temelji na raziskavah in je bila narejena za vzpostavitev standardnega skupka stroškov in nadomestil, povezanih s prevzemom zastavljenih nepremičnin. Podobna raziskava bi bila lahko narejena tudi v Sloveniji in sicer za vse vrste zavarovanj, vključno z nepremičninami. Tudi ta preglednica je pomembno orodje za računovodje v smislu njene uporabe pri standardizaciji stroškov/nadomestil, ki izhajajo iz vnovčevanja (likvidacije) zastavljenih sredstev, medtem ko poslovodstvu ASBH zagotavlja zanesljivejšo osnovo pri odobravanju in odločanju.

Verjetno bo ASBH želela proučiti možnosti prilagoditve the preglednic za potrebe sredstev/terjatev, ki jih vodijo računovodje. Dan Glaspy je trenutno pregledal te obrazce skupaj z Ido Menard in se z njo pogovoril o načinu njihove uporabe v povezavi s sredstvi/terjatvami, za katere je zadolžena. Verjetno bo pripravljena sodelovati pri njihovi prilagoditvi za potrebe ASBH, glede na to da je razumela njihovo uporabnost in pomoč, ki jo lahko nudijo pri vrednotenju različnih likvidacijskih možnosti pri sredstvih, s katerimi ima opravka.

Nekaj točk, ki jih mora ASBH upoštevati pri uporabi the obrazcev:

**Ocenjena vrednost zavarovanj.** ASBH naj razmisli o zahtevi, da bi vsak njenidolžnik (podjetje) pridobil zunanega ocenjevalca ali opravil vrednotenje vseh sredstev podjetja. Kadar gre za podjetja, ki so v stečajnem postopku, v postopku prestrukturiranja ali privatiziranja, bi bilo potrebno tako vrednotenje zahtevati takoj. V primeru, ko podjetje zavrne takšno zahtevo, češ da nima dovolj sredstev za ocenjevalca, naj ASBH razmisli o tem, da sama nosi stroške vrednotenja. V kolikor ASBH ne bo zahtevala zunanje ocenjevalce, naj razmisli o vzpostavitvi standardnih postopkov znotraj Agencije, na podlagi katerih bi računovodje lahko vrednotili sredstva podjetij, na primer na podlagi revidiranih računovodskih izkazov podjetij ali

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notranjih ocen. To se šteje kot odločilno; v kolikor ne obstaja točna ocena vrednosti sredstev, ASBH tvega izgubo pri poplačilih iz naslova podvrednotenih ocen pri vnovčitvi (likvidaciji) sredstev, danih v zavarovanje.

**Diskontne (eskontne) stopnje.** ASBH bo morda želela usposobiti računovodje za uporabo standardnih diskontnih (eskontnih) stopen pri izračunavanju PGP-jev in NSV-i. Računovodje bi tako lahko uporabljali različne standardne diskontne stopnje, če bi jim bile v podporo pri tem odločanju ustrezno obrazložene značilne okoliščine / tveganja v zvezi s posameznimi sredstvi. Standardne diskontne stopnje bi bile lahko vezane na stopnjo donosnosti obveznic Banke Slovenije, na posojilno obrestno mero območnih bank  $R + \%$ , ali na ostale kazalce, ki so v pomoč pri presoji tveganje/donosnost investitorjev v Sloveniji.

Veselilo nas bo delati z vami ali vašim osebjem pri prilagoditvi the obrazcev za potrebe ASBH.





# ESTIMATED CASH RECOVERY GUIDELINES

## Foreclosure Costs - Connecticut

*Time Frame - 12 Months*

*Legal Fees Prorated over 3 Quarters beginning 2nd Quarter*

Residential	\$2,500
Commercial	\$4,000
Committee Fees (Paid at Foreclosure Sale)	\$3,000

## Foreclosure Costs - Massachusetts

*Time Frame - 6 Months*

*Legal Fees Paid in 3rd Quarter*

Residential	\$1,500
Commercial	\$1,500
Advertising (Paid at Foreclosure Sale)	1% of AV
Auctioneer Fees (Paid at Foreclosure Sale)	1½% of AV

## After Foreclosure Expenses

*(Assume 12 Months for Sale)*

### APPRAISALS

SFR	\$ 300
Residential Lot	\$ 275
Commercial	\$2,500 - \$7,500

### INSURANCE

.1895 per \$100

### TAXES

1% of AV per year  
payable semi-annually

### PROPERTY MANAGERS

SFR	\$ 600 per year
2-4 Family	\$1,500 per year
Small Commercial (<15M Sq Ft)	\$3,000 - \$6,000 per year
Large Commercial (>15M Sq Ft)	\$6,000 - \$10,000 per year

### OTHER HOLDING COSTS

SFR	\$1,200 per year
Condos	\$3,000 per year
2-4 Family	\$2,500 per year
Land	4% of AV
Commercial	\$5 per Sq Ft

### REAL ESTATE COMMISSIONS

Residential	6% of AV
Commercial	8% of AV
Land	10% of AV

### CLOSING COSTS

1% - 4% of AV

MEMORANDUM

TO: FILE November 13, 1994

FROM: Dan Glaspy  
Advisor

RE: Recap of BRA Assets Department Meeting 11-9-94

Department Manager Marijan Groff conducted a meeting with his Account Officers to recapp procedural changes and to implement new policies, most of which had been suggested by Advisors Mike Moore and Dan Glaspy. His major points:

- Invite Moore and Glaspy to sit in on every Debtor meeting, as translators are now available.
- Use Moore and Glaspy to assist in the preparation of BRA Board Cases in the new FDIC DAS style.
- The Account Officers are to continue to use and maintain the new filing system.
- The Account Officers are to begin to study each asset's collection alternatives so the Advisors can assist them in developing an estimated cash recovery (ECR) per asset.
- The Advisors will assist Account Officers in preparing for BRA Board Meetings, in addition to actual Case writing.
- The Advisors will be conducting several training seminars, and translators will assist.
- A current BRA Board Case example will be used to demonstrate how Net Present Value (NPV) calcuations can be detailed. The Advisors will offer follow up training, as well as one-on-one assistance.

Marijan Groff then asked Mike Moore to conduct a seminar on Account Officer Training guidelines that had been distributed to the Staff some time ago. Points discussed:

- Account Officers should consider discussing asset problems and solutions in a roundtable like setting with colleagues so all can benefit as different perspectives are noted.
- All asset information should be organized and filed in the new format. It should then be reviewed in detail, and an accurate asset status report prepared.
- Lacking asset information will be noted, and questions prepared for initial Debtor contact or meeting.
- Account Officers should have sufficient knowledge of the credit and a pre-planned strategy so as remain in the drivers' seat

during Debtor meetings and negotiations.

- When the Economic Development Fund (SKLAD) or the Debtor attempt to force short notice meetings or demanding conditions, the Account Officer should immediately request updated financial/collateral information be provided before a meeting is allowed or conditions are even considered. Additionally, the Debtor or SKLAD can be asked to provide a written explanation to the BRA as to how it expects to repay its debt.
- The importance of an organized file and accurate asset status was demonstrated by the Adria Airways example. The BRA's largest credit has been transferred 3 times in 6 months, and the good status report and completed file eased transition to the subsequent Account Officers.
- After a Debtor meeting, 2 Account Officers can discuss meeting results and plan follow up. The assigned Account Officer may want to send a summary letter to the Debtor that re-iterates the BRA position or reminds of information request.
- Account Officers should always be aware of the appropriate Delegations of Authority, and remind Debtors that all discussions and negotiations are subject to formal approval.
- If a Debtor brings an Attorney to a meeting, the Account Officer must have a BRA Attorney there also.
- It was emphasized again that translators are available to allow the Advisors to attend Debtor meetings. The translators can explain the proceedings to the Advisors without disrupting the meeting.

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MEMORANDUM

To: Marijan Groff  
From: Mike Moore  
Dan Glaspy  
Date: July 21, 1994  
Re: Account Officer Seminar  
Meeting With Debtors

We have prepared the following guidelines for your use in training your account officers in their meeting with debtors. This is a very important area of loan work out as it represents the initial building block for working with debtors and their representatives. We are available to meet with you and/or you four section chiefs at your convenience to review or provide training for the account officers covering this information. Please let us know if we can be of assistance.

c: Andrew Lovegrove

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## ACCOUNT OFFICER SEMINAR

When an account officer is assigned collection responsibility for a new asset, he/she should obtain, organize and thoroughly review all files that relate to that asset. Contact should not be initiated with any debtors, guarantors or debtor's attorneys until the account officer is familiar with the asset.

As part of the initial review, the account officer should determine: what individuals or entities are liable for repayment of the indebtedness; the outstanding balance owed on the asset or relationship; and exactly what collateral secures the debt.

It is the responsibility of the account officer to understand and follow the policies, procedures and guidelines as they relate to the collection of assigned assets. The account officer is to be very knowledgeable about the provisions of the notes and the BRA procedures for moving against collateral in event of default by the debtor. The account officer is to seek advice of his/her supervisor, as necessary, in order to fully understand the appropriate means of collecting the assigned assets.

The original of all correspondence, agreements, etc., must be maintained in the official credit file. Care must be taken to see that all information produced by an account officer, such as documentation of phone calls and other internally produced information, be included in the official files. The account officers are considered responsible for the content of the official files.

It is the responsibility of the account officer assigned an asset to document properly the results of all meetings or telephone conversations with debtors. The original of all such memorandums should be placed in the official credit file. Documentation of routine telephone conversations may be done by means of a hand-written entry. All agreements must be approved in accordance with delegations of authority and where applicable should be fully documented in the form of a case.

Any review of an account officer's loans by senior officials will be done utilizing the official credit files and status reports.

### Meeting With Debtors

Prior to meeting with a debtor, the account officer should be completely familiar with information concerning the debtor that is on file in the office. If possible, two representatives of the BRA should be present at all meetings with debtors. This provides protection for the account officer against false claims by the debtor about the content of the meeting, and also provides additional support that will benefit even the most experienced account officer in assisting in the evaluating and documenting what was accomplished at the meeting. In the event the debtor is an attorney or has an attorney present, the account officer should have a BRA attorney present.

Meaningful settlement negotiations should never be conducted with a debtor without first obtaining and reviewing all relevant financial information and without having at least an informal appraisal of the collateral and a determination of any prior lien positions of other creditors. The major mistake that an account officer can make will be to agree with the debtor on a settlement amount, and then set out to gather the required financial information so that a case can be prepared.



When a debtor first proposes a meeting, the account officer should advise him exactly what financial information is required by the BRA. The debtor should be informed that this information must be in your hands one week prior to the actual meeting. If a debtor attempts to force you into meeting without adequate review of the financial information by arriving at your office with the information, you should politely inform him/her that you cannot discuss the situation without first reviewing the information provided. A brief meeting may be held to review the content of the information in order to determine if it is adequate in form and to determine if additional information is needed, however, no discussion concerning work out or settlement should take place. At this time you should agree with the debtor on the date and time of the future meeting.

When meeting with a debtor, it is important to understand your level of authority. You should advise that any arrangements reached at the meeting, which appear to be mutually acceptable, will be presented in the form of a recommendation to your supervisors. Care should be taken to ensure that all parties present understand that any such arrangements will not be effective until approved by the appropriate BRA officials.

At the conclusion of each meeting, care should be taken to spell out in detail the future actions required by each party in attendance. Specific deadlines should be established for accomplishing those actions, i.e. debtors submitting additional documentation, account officer preparation of a case, etc.

After the debtor and his/her representatives have left the meeting, you should have a discussion with all officials who were present to insure there is no confusion concerning what was agreed to in the meeting. A memorandum should be copied to the file and your section chief. Specific deadline dates agreed to at the meeting should be recorded on whatever tickler system you utilize for managing such information.

## MEETINGS WITH DEBTORS AND THEIR REPRESENTATIVES

In the role of an account officer, there will be numerous occasions when the account officer will have meetings with debtors to discuss the repayment of the loans assigned to them.

### Preparations for Meeting

Prior to meeting with a debtor, the account officer should be completely familiar with the information concerning the debtor that is on file in the BRA office. It is required that all meetings with debtors have at least two BRA personnel in attendance. This policy is intended for the protection of the account officer and BRA against false claims by the debtor about the content of the meeting and to assist in negotiating with the debtor. The second BRA representative will provide additional support which may include evaluating and reducing to memorandum form exactly what was accomplished at the meeting which will benefit even the most experienced account officer. In the event the debtor is an attorney or is represented by an attorney, BRA policy should require that a BRA attorney be present at all meetings with that particular debtor.

Meaningful settlement negotiations should never be conducted with a debtor without first obtaining and reviewing all relevant financial information and without having at least an informal appraisal of the collateral and a determination of any prior lien positions of other creditors. The major mistake that an account officer can make will be to agree with the debtor on a settlement amount, and then set out to gather the required financial information so that a case can be prepared.

In memorandums of recommendation, account officers should present a brief summary of the financial condition of the debtor. Thus, the account officer should briefly discuss the nature of the business, its background, personal information of the principals, and the products produced or services rendered. In addition, this presentation should include the date of the financial statements and a summary of the major asset and liability accounts and net worth. The account officer should also discuss any income, both past, present and future. It would be helpful to discuss any contingencies and the general trend of the business. It is also important for the account officer to discuss, briefly, what steps were taken to verify the items in the financial statement.

When a debtor first proposes a meeting, you should advise them exactly what financial information is required by the BRA. The debtor should be informed that this information must be delivered one week prior to the actual meeting. If a debtor attempts to force a meeting without adequate review of the financial information by arriving at the BRA office with the information, he should be politely informed that a discussion of the situation cannot be conducted until a review of the information is performed. A brief meeting may be held to review the content of the

information in order to determine if it is adequate in form and to determine if additional information is needed; however, no discussion concerning work out or settlement should take place. At this time the account officer should agree with the debtor on the date and time of the future meeting.

#### The Meeting

When meeting with a debtor, it is in everyone's best interest to understand the account officer's level of authority. The account officer should begin the meeting by informing all present that he has authority only to accept payment in full of the debt. He should further advise that any arrangements reached at the meeting, which appear mutually acceptable, will be presented in the form of a recommendation to his supervisor. Care should be taken to ensure that all parties present understand that any such arrangements will not be effective until approved by the appropriate senior BRA official.

It is recognized that each account officer has his own style of conducting meetings. It is suggested that each new account officer arrange to attend debtor meetings conducted by more experienced account officers before conducting meetings on their own. Any questions as to appropriate conduct at a meeting should be discussed with his supervisor.

At the conclusion of each meeting, care should be taken to spell out in detail the future actions required by each party in attendance. Specific deadlines should be established for accomplishing those actions.

#### After the Meeting

After the debtor and his representatives have left the meeting, the account officer should have a discussion with all BRA officials who were present to insure there is no confusion concerning what was agreed to in the meeting. A memorandum should be copied to the Manager of the Asset Department and the account officer's supervisor. Specific deadline dates agreed to at the meeting should be recorded on whatever tickler system is utilized for managing such information.

#### Loan Work Outs, Restructures and Compromises

In some cases after an account officer has thoroughly reviewed all information available on an asset and analyzed the financial statements of the debtor, he will conclude that it is not possible for the BRA to immediately collect payment in full. Assuming that the debtors are cooperative, there are three basic types of collection possibilities.

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1. Loan Work Out  
Involves a change of payment terms and/or maturity date. There is no compromise of principal or accrued interest, nor is there any decrease in the contractual interest rate.
2. Restructure  
A change of payment terms and/or maturity date together with a reduction of the contractual interest rate. No compromise in the principal balance is involved.
3. Compromises  
A forgiveness of a portion of principal and/or interest due.

Normally, an account officer should not consider entering into any work out, restructure or compromise if the debtors refuse to provide current financial statements. One possible exception may be a short term work out during the first 60 days of default.

Refusal on the part of the debtor should be treated as a serious matter and the debtor should be immediately advised that a failure to provide the requested financial information may trigger a recommendation to initiate litigation. While there are several possible reasons why a debtor will refuse to provide financial information, the account officer must assume that this refusal indicates that they have something to hide.

#### Work Outs

Work out agreements are essentially a trade negotiated by an account officer with a debtor. In return for an additional period of time, the debtor agrees to pledge additional collateral and/or make periodic payments. If a loan is unsecured an account officer should look for available assets to improve the BRA's position. The BRA's position may be improved by allowing a work out conditioned upon the debtor better securing the loan. Assets such as stocks, bonds, cash value of life insurance, savings accounts, C.D.'s, and mortgages on properties owned by the debtor are examples of additional collateral which may be available to secure the loan. Additional guarantees should also be explored.

In rare instances the account officer may want to negotiate an Interest only work out. This is where the debtor is allowed to make only interest payments. This option is reserved for situations where the debtor has provided financial statements evidencing an inability to either pay the loan in full immediately or to make substantial periodic principal payments. There are situations where interest only work outs are far more preferable than litigation, particularly in instances where the debtor is experiencing temporary financial difficulties that preclude his ability to make substantial payments on the indebtedness. As in any work out plan the account officer should attempt to have payments made on a monthly basis. This will allow the account

officer and the BRA to realize more quickly when a debtor has decided not to or becomes unable to make any more payments. The BRA will then be able to move to foreclose on the collateral in a prompt manner.

The following parameters can be considered as guidelines for a loan work out program:

Term - No more than two years; most programs limited to one year or less - no commitment for renewal.

Interest Rate - Market rate or higher, not less than the original contract rate. If the account officer substantially improves an under secured or unsecured position into a far better secured position, a rate anywhere at or above the contract rate is acceptable.

Financial Statements - Renewals should not be granted unless the debtors provide current financial statements. Prior to approval of any work out arrangement, the account officer must review the financial statements to ascertain whether the loan is less than fully secured and then attempt to obtain as much additional collateral as needed to better improve the BRA's position.

Legal Review - The account officer should obtain advice from the BRA's legal department as to procedures to follow in perfecting his collateral position. Decisions to extend secured loans may be detrimental to existing collateral. The approving authority must be satisfied that the work out program will not cause the release of any debtor from liability or invalidate existing collateral. Legal advice is also necessary whenever extensions are granted where consent of all debtors will not be possible.

Justification - Work out programs should offer better prospects of recovery on the assets than alternatives such as foreclosure or litigation. In order to determine the true value of collateral, the account officer should deduct from its liquidation appraised value, the cost associated with taking possession of the collateral and all costs necessary to sell it.

### Restructures

When loan restructures are utilized by the account officer, the interest rate normally is set at the market rate for similar loans but not less than the note rate. When negotiating an interest rate reduction, the account officer should follow the general parameters for loan work out programs mentioned above. Sometimes there may be good reasons to recommend the reduction of an interest rate from the original note contract rate. Some of the situations which may create reasons to set the rate below the note rate could include:

- a. The debtor is in very poor financial condition and allowing the concession may enhance the chances of maximizing recoveries on a present value basis.
- b. Collectibility of the asset in full is highly questionable and in exchange for the interest rate concession we are to be provided substantial new good quality collateral or valuable guarantees.
- c. The BRA is in a poor legal position and the restructure offers an opportunity to eliminate the legal problems of enforcing the indebtedness or realizing on available collateral.
- d. Other good business reasons to allow a concession.

Properly substantiated, such situations are actually opportunities to enhance overall recoveries on the loans. In other words, proper use of interest rate concessions can be a very positive tool in enhancing overall recovery on the loan.

#### Compromises

The account officer is encouraged to pursue compromise settlements on assets whenever the debtor clearly does not have the ability to pay the indebtedness in full or whenever, in the judgment of the BRA Legal Department, there are serious legal problems associated with collecting the full indebtedness. Settlements can frequently be substantiated on a combination of legal and business considerations.

Generally, a tough stance should be taken on settlements where debtors have created a weak financial position by transferring their assets to family members, business associates, subsidiaries, or pass through companies via legal maneuvers. Whenever it can be determined that such legal maneuvers have been used, a settlement should not be considered based solely on an analysis of collectibility on the remaining assets reflected on the debtor's financial statements. Instead, it is preferred to vigorously pursue the debtors and pursue fraudulent conveyance actions, unless legal counsel advises that such actions would be expected to have less than a 50% chance of success. There are many factors to be considered in these types of cases; therefore, account officers are encouraged to negotiate this type of settlement to the best of his ability. This type of settlement is more likely to be turned down than any other type of case; nevertheless, account officers and legal counsel should be encouraged to make their recommendations based on sound business principles.

All substantial offers of settlement or sale of assets, any definite alterations of the terms of payment of an obligation, any adjustment of amount due, and modification of interest rates or waiver of interest must be presented in case format and submitted for approval. The account officer should make it clear to the

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debtors during negotiations that actions or statements, and willingness to recommend the proposal, do not commit or bind the BRA, as all such transactions are subject to the approval of the appropriate senior BRA officials or the court, if applicable, having jurisdiction in receivership transactions.

Complete information regarding all such transactions must be submitted in case form. This information should be presented in a clear and concise manner and the account officer should make certain that he has included all the necessary information on which to base a recommendation. Such information should include the name of each obligor, date and maturity of the indebtedness, interest rate, date to which interest has been paid, and a description and valuation of any collateral. The case on a compromise settlement should be accompanied by the debtor's signed financial statements and include a detailed analysis of the financial statement. If a proposed compromise settlement involves a note secured by real estate, an independent appraisal of the security should be included.

It is good practice to analyze the debtor's financial statement before and after the proposed settlement. In order to have a good settlement both sides need to have obtained a significant advantage. It is vital that we realize that the removal of a huge amount of indebtedness is a very strong incentive for the debtor to contribute a substantial payment relative to his ability to pay.

In situations where settlements are substantiated based on savings of extensive legal costs to pursue complex matters, it is important to realize that the debtor also incurs very substantial legal costs. This does not mean that the savings of legal costs are not a proper substantiating point; however, the recognition that the debtor can also be driven to an early reasonable settlement for the same reasons is necessary.

In order for the account officer to effectively negotiate settlement offers, it is important that he fully evaluate the debtor's ability to pay and all legal factors involved. The account officer should then aggressively counteroffer against any offers suggested by the debtor until a favorable offer is available for recommendation.

Account officers should be encouraged to actively pursue settlements and recommend settlements rather than holding back for fear of being turned down by their superiors. Only through trial and error can they develop the skills necessary to maximize recovery on loans. If a particular settlement offer is too low, senior management may suggest a counteroffer for the account officer to relay to the debtor. A decision by an account officer not to recommend a compromise he believes would be in the BRA's best interest could prove to be very costly through the buildup of unnecessary legal fees and the possibility that the debtor's financial condition may worsen thereby causing a lower collection later.

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Although cash settlement offers are preferred, in some instances settlement or release of guarantor recommendations are made providing for an initial cash payment with the balance of the agreed amount payable on terms. In some instances recommendations are made to accept a compromise with all payments to be made on terms. However, whenever it is necessary to recommend such transactions, the account officer should attempt to obtain a market rate of interest for the scheduled payments.

However, situations should be avoided where, for example, a debtor is obligated to pay \$200,000, but after analysis of all factors, a settlement offer of \$40,000 is recommended on the basis of \$10,000 per year plus interest with the first payment due one year from the date of agreement. In that type of situation, unless the BRA had some form of agreement in case of default, the BRA's rights might generally be limited to collection through suit on the unpaid balance of the settlement agreement rather than the much larger prior debt.

Without specific additional default penalties, a debtor or guarantor could vastly improve their position by defaulting on the compromise agreement, leaving the BRA only the cash collections received to the time of default to compensate for any forgiven amount.

Present value analysis is utilized whenever a compromise or release of guarantor requires the taking back of a payment obligation. In some instances, the account officer may be offered a payment arrangement of a certain amount of cash down with the balance of the settlement payable in installments with or without interest over a period of time. Frequently, the proposed interest rate is less than the rate that a financial institution would require if the obligation were sold on the open market. Present value analysis is therefore used to determine the realistic cash value of the settlement.

Present value can only be used in compromise situations involving payments over time, to evaluate the transaction versus straight liquidation of collateral and pursuit of the debtor for any deficiency or, to measure the value of the contemplated settlement versus anticipated recoveries in a bankruptcy situation.

#### Legal Action

In some instances the account officer may find the debtor to be uncooperative or unwilling to establish a realistic payment arrangement. If the default is serious, the account officer may consider recommending that legal action be initiated to attempt recovery on the loan. The decision to refer a loan to litigation should not be lightly made. The account officer should use good judgment and discretion in considering whether legal action should be pursued against debtors as a last resort to achieve recovery on assets. They should be aware that a lengthy period of time, quite possibly several years, may pass between the time an asset is

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referred to the legal department and final resolution of the matter.

Prior to seeking authority to refer loans for legal action, the account officer should consider the financial status of the debtor and the likelihood that eventual recoveries will exceed the probable legal fees to be incurred. He should also consider whether the net realistic recovery through litigation is likely to exceed amounts obtainable by continuing to work with the debtor on workout arrangements. If the debtor and guarantors are very weak financially and simply do not have the means to pay the debt, it would be preferable to obtain and analyze their financial statements for the purpose of determining a suitable compromise on the loan without first incurring the cost of litigation.

On the other hand, uncooperative debtors who are believed to have the means to pay all or a significant portion of the debt should be vigorously pursued through litigation. Debtors or guarantors who refuse to give us a current financial statement or who refuse to pay in accordance with their ability to pay should be considered to be uncooperative.

Other considerations will include the likelihood of deterioration in the value of collateral, the debtor's age, past, current and future income and the available equity in the debtor's assets.

Prior to referring a loan for litigation, every attempt should be made to convince the debtor to pay in full or to reach an appropriate compromise settlement. Once it is determined that a debtor does not plan to honor his obligation in a timely manner, all collateral that can be liquidated without resorting to legal action should be repossessed and sold.

An account officer's duties do not end once a loan is referred to the legal department. After a loan is referred, the account officer should regularly review the litigation file. His review process is to ensure that a loan is promptly assigned to an attorney after it is referred, that this attorney initiates the appropriate court action in a timely fashion and that the attorney promptly advises him of any settlement offers submitted on behalf of the debtor.

If at any time the account officer believes that the legal department is not acting in a timely manner he should, with the concurrence of his supervisor, submit his concerns in writing to the attorney responsible for the loan. Both the Asset Department Manager and the Chief in-house counsel should be copied on this memorandum.

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MEMORANDUM

To: The File  
From: Mike Moore  
Date: September 20, 1994  
Re: Seminar - Preparing Board Cases & Asset Status Reports

A seminar was conducted by Dan Glaspy and Mike Moore on Monday, September 12 for the BRA Asset Department Management and Account Officers regarding the preparation and format of board cases and asset status reports. Guidelines, examples and an outline for preparing these cases and reports were previously given to the department and were modified and translated into Slovene and translated back into English reflecting the departmental changes needed to accommodate the Slovenian needs.

Attending the seminar were nine of the eleven Account Officers, three Section Chiefs and Marijan Groff, the Department Head. The seminar was conducted in English and then translated into Slovene by Vonda Rode for the benefit of those account officers who did not understand English.

Each section of the board case outline was reviewed in detail with the group and described how the sections interlocked with each other in devising a complete board case. These sections include: 1) proposal, 2) description of asset, 3) brief background, 4) financial highlights, 5) alternatives, 6) recommendation, 7) substantiation, and 8) signature lines. It was emphasized that a board case was a comprehensive memorandum requesting authority to act on a course of action which exceeds the account officers delegated authority. The case should answer any relevant question of the reader with the recommendation being the most positive action available after considering the alternatives.

In July of this year, an asset status report was devised and given to the asset department for review and consideration. The report was translated into Slovene and then modified to fit the particular needs of the department. During the seminar each area of the form was reviewed with the officers to ensure their familiarity and to explain the purpose of the form.

Until now there has been no reporting procedures in place for the department. The introduction of the asset status report, which will be required quarterly, along with the new filing system, will enable the management of the asset department and the BRA to more effectively monitor the progress of the department. It will also

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provide a smoother transition of assets upon the departure of any account officer. A new account officer will be able to pick up a newly assigned asset relationship and quickly become familiar with the asset due to the common filing system and current asset status reports.

We have previously provided the asset department with an organization chart and job descriptions. The filing system is currently being installed, and the status reports and board case formats are in place. The next steps are to have the job descriptions translated into Slovene and provide the department with a delegations of authority format. Once these steps are complete, a foundation will have been established on which to build a more efficient asset department.

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## STATUS REPORT OF CLAIMS, BEING TRANSFERRED TO BRA

Identification number of Debtor:

Number of Status Report:

Date:

- Value in 000 SIT

Debtor:		Bank transferred from::		
Date of Transfer:		Date:		
Balance:				
Contingent Liabilities:				
Total:				
Type of Collateral:		Evaluation of Collateral:		
Financial Statement: Date.....or in the period from.....to.....		Main product or activity of debtor:	Sklad Dev. Fund: Yes No	Bankruptcy: Date:..... DA NE
				Financial Reorganization: Date:..... DA NE
Legal status of the company:		AV of the Company:	No. of Employees:	
Total Income:		Operating Income*	Export:	
Total Expenses:		Operating Expenses:	Operating Assets:	
Loss:		Equity:	BRA's share in total liabilities of the company in %	
Long-term liabilities:		Short-term liabilities:		
Appraisal of the Company:				
<ul style="list-style-type: none"> <li>- Authors of the appraisal report.</li> <li>- Date of the appraisal.</li> <li>- Evaluation of liquidation value.</li> </ul>				
Summary of previous business:				
<ul style="list-style-type: none"> <li>- Legal question that need to be stressed.</li> <li>- Owner(s) of the company.</li> <li>- BRA's legal status in the company (e.g. creditor/shareholder).</li> </ul>				
Overview of relation between assets and sources of funds				
<ul style="list-style-type: none"> <li>- List of all creditors and their collateral.</li> <li>- Main issues of the company/debtor.</li> <li>- Possible alternatives of recovering the debt.</li> <li>- Estimated % of recovering the debt.</li> <li>- Actions being taken.</li> <li>- Net present value of collateral.</li> </ul>				
Strategy:				
<ul style="list-style-type: none"> <li>- Method, period of time.</li> <li>- Recommendations.</li> <li>- Further measures/actions.</li> </ul>				
Previous results:				
Comments of Department Head:				
Account Officer:		Section Chief:	Department Head:	

Attachments: Yes No

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EXAMPLE  
RELATIONSHIP STATUS REPORT

Servicer:		Officer/Phone Number:		As of date: March 31, 1994															
Asset/Relationship Name:			Co-Makers(C)/Guarantors(G):																
Financial Condition of: Non-Recourse		Date:		Legal Balance	Book Balance														
TA: \$	NW: \$			\$3,550,462 (gross balance)	\$ - 0 -														
TL: \$	NI: \$				\$ N/A														
Servicer-Adjusted NW: \$				Date: 03/31/94	Date: 03/31/94														
<p><b>Collateral Description:</b> An assignment of a 41.29% interest in debtor's 45% interest in net cash flow distributions from Properties.. (Net of his annual living allowance of \$110M annually*). Properties.. owns a 0.2857% interest in certain Indonesian Gas Fields.</p> <p>*The specific terms of the settlement agreement call for debtor to receive the first \$55M, in net revenue generated from these wells each year. Then, the Inter-Creditor group receives the second \$55M in net revenue during the year. The next \$110M is shared equally between and the Inter-Creditor group. Then, all monies generated in excess of \$220M received during the year are forwarded to the Inter-Creditor group. In case of default, the Inter-Creditor group can only look towards the collateral as a source of recovery.</p> <p>Additional collateral consist of an assignment of an over-riding royalty interest equivalent to, and including, a 0.00562% net revenue interest in two oil and gas wells and a 2.81250% working interest in an oil and gas well located in Hardin County, Texas.</p>				<p><b>Appraisal (Amount/Date):</b> No formal appraisal has been performed on the collateral securing this credit.</p>															
<p><b>Brief Background on Asset/Relationship:</b> The aforementioned note is a Non-Recourse/Non-Interest bearing note tied to an Inter-Creditor Agreement between The Deposit Insurance Bridge Bank ("Bank One"), First Interstate Bank of Texas, N.A., Texas Commerce Bank and Collecting Bank. Bank One is the agent for the creditors responsible for overseeing, managing and administering the receipts and disbursements of payments with respect to the Assigned Assets to each of the creditors on a pro-rata share basis. Bank One's portion of the Inter-Creditor note is 41.29% or \$1,465,985.71.</p> <p>The Inter-Creditor Agreement requires that two-thirds of the group in number and aggregate dollar amount vote to approve any type of settlement. In July 1993, a ballot and a presentation was made to the Senior Loan Committee requesting permission to sell the aforementioned note "Without Recourse or Warranty" to debtor for \$500M cash. This request was declined since the offer did not meet a reasonable net present value analysis. Subsequently, we have monitored the account on a monthly basis.</p> <p>In reviewing the Income Stream generated from these properties since the inception of the Inter-Agreement, we find that the Properties have generated the following for distribution to the creditors:</p> <table style="margin-left: 40px;"> <tr><td>1989</td><td>\$ 13,734.67</td></tr> <tr><td>1990</td><td>\$ 134,310.21</td></tr> <tr><td>1991</td><td>\$ 160,380.84</td></tr> <tr><td>1992</td><td>\$ 214,768.82</td></tr> <tr><td>1993</td><td>\$ 216,964.72</td></tr> <tr><td>1994</td><td>\$ 29,135.31</td></tr> <tr><td>Total</td><td>\$ 769,294.57</td></tr> </table> <p>The Inter-Creditor group has received \$388,976.65 of the \$769,294.57 generated from the assigned collateral interest. The difference of \$380,317.92 went to pay-off the IRS and Other Creditors holding a priority position. These priority positions have been paid off leaving the Inter-Creditor group as the remaining recipient.</p>						1989	\$ 13,734.67	1990	\$ 134,310.21	1991	\$ 160,380.84	1992	\$ 214,768.82	1993	\$ 216,964.72	1994	\$ 29,135.31	Total	\$ 769,294.57
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1993	\$ 216,964.72																		
1994	\$ 29,135.31																		
Total	\$ 769,294.57																		

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**Overall Liquidation Strategy:** The collection strategy on this credit will be to monitor the account on a monthly basis. Additionally, efforts will be made to locate a third party to purchase this note at an amount greater than the previous offer of \$500M.

**Current Status:** As of March 31, 1994, the Properties have produced \$84,135.31 for the first three months of the year. Debtor has received \$55M and the Inter-Creditor group has received \$29,135.31. The current collection plan will be to continue to monitor the monthly income stream generated from the assigned interest.

**FOR ATB USE-LEAVE BLANK**

I have reviewed and discussed this asset/relationship with the servicer-assigned officer.

\_\_\_\_\_

Date

\_\_\_\_\_

Signature

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# POROČILO O STANJU IN STATUSU TERJATEV, PRENEŠENIH NA ASBH

Ident. št. podjetja:

Št. poročila:

- vrednosti v 000 SIT

Podjetje:		Prenos iz banke:			
		Na dan prenosa:		Na dan:	
Terjatve					
Potencialne obveznosti					
Skupaj					
Način zavarovanja terjatve:			Ocena zavarovanja:		
Bilančni podatki o podjetju na dan.....oziroma v obdobju od.....do.....		Glavni proizvod:	Sklad: DA NE	Stečaj: DA NE	Prisilna porav.: DA NE
Pravni status podjetja:		Vrednost podjetja:		Število zaposlenih:	
Prihodki skupaj:		Poslovni prihodki:		Izvoz:	
Odhodki skupaj:		Poslovni odhodki:		Poslovna aktiva:	
Izguba:		Trajni kapital: •		Udeležba ASBH v skupnih obveznostih podj. v %	
Dolgoročne obveznosti:			Kratkoročne obveznosti:		
Preteklo poslovanje podjetja in opis zavarovanj: - opozoriti na zakonska vprašanja - navedba lastnika oz. lastnikov podjetja - ststus ASBH v podjetju				Vrednotenje podjetja: - avtorji cenitvenega poročila - datum cenitve - ocena likvidacijske vrednosti	
Pregled povezav med sredstvi in viri sredstev: - navedba vseh upnikov in njihova zavarovanja - poglobitni problemi podjetja - predvidene možnosti izterjave - ocena % izterljivosti - dosedanji ukrepi - NSV zavarovanj					
Strategija izterjave: - način, čas in nosilci izterjave - priporočila - predvideni ukrepi					
Dosedanji rezultati:					
Opombe direktorja:					
Nosilec projekta:		Vodja oddelka:		Direktor sektorja:	

Priloga:

- ekspertna analiza podjetja DA NE

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MEMORANDUM

To: The File  
From: Mike Moore  
Date: September 20, 1994  
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## CASE PREPARATION

A case memorandum is required in most situations where the BRA must take action with respect to an asset. Case memoranda are used to authorize actions by the appropriate delegated authority. The delegations of authority determine the level for which a case is written. A minimum book value amount should be determined at a level, below which no case memorandum would be required. However, all such actions should be documented in the asset files.

### Case Memorandum and Format

The text of the case should be limited to relevant facts that will substantiate the proposal and would normally contain the following sections:

- Proposal
- Description of Asset
- Brief Background
- Financial Highlights
- Alternatives
- Recommendation
- Substantiation
- Signature Lines

These sections are described below.

#### Proposal

This section should only contain the specific action for which authority is requested. No additional information is necessary. The writer should be concise and clear as to what action he/she is proposing.

#### Description of Asset

This section should give a brief description of the asset. The following information should be included as appropriate: asset number, date of obligation, original amount, maker, interest rate, payments due, interest paid to date, listing of guarantor or endorsers and description of all collateral security. If holding real estate or mortgages as collateral security, the following additional information should generally be supplied: lien position, dollar amounts and holders of prior liens, size of real estate, improvements added to the real estate, comments on occupancy, location of property and neighborhood characteristics, status of property taxes and appraisal information.

#### Brief Background

This section should contain a brief summary of the facts surrounding the proposal that will be required by the case reviewers to analyze the proposed action in the case. Such facts could include relevant economic data affecting the condition of the asset and/ or the negotiations with the borrower that have resulted in the proposed action of the case.

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### Financial Highlights

This section should include a brief analysis of the financial condition of the debtor. In defining the borrower's financial condition a comparative analysis needs to be completed based on current and historical financial statements. The account officer should verify the accuracy of the financial information through various asset searches and credit related reports.

### Alternatives and Recommendation

This section should compare the action recommended in the proposal to the alternative courses of action available to the BRA. Specific examples of alternatives could include bankruptcy and/or litigation. Another possible alternative could include a straight liquidation. The case writer should estimate the net recovery considering the costs associated with repossession or voluntary surrender in addition to the costs of marketing and selling the collateral. When exploring these particular areas, the account officer would simply give his evaluation of the possible outcome of the asset given these situations.

### Substantiation

This section should contain a list of the points that substantiate the proposal. However, this section should not introduce material that has not been previously covered in the case. This section should restate those points covered in the case that support the argument that this action is in the best interest of the BRA.

### Signature Lines

The account officer should include signature lines for all required concurrences and for the approving party. The applicable delegation should be noted above the final signature line.

When preparing a case, it is important to keep in mind that the purpose of the case is to provide relevant information that is needed to analyze the merits of the proposed action. Therefore, when this information is presented, it should be as complete as possible, but the case writer should refrain from including any facts that are not relevant to the decision on the case. Additional unnecessary information tends to confuse the issue and burden the reader, thus causing delay in processing the case as soon as possible.

In some cases additional information is necessary to substantiate the proposal. This additional information may be in the form of case attachments which may include written legal opinions, financial statements or appraisals.

When reviewing a case, several factors should be evaluated. These include the merits of the proposed action and the justification. The most important function of the reviewer is the evaluation of the business decision. When a supervisor approves and forwards a case memorandum to a higher level, this official states that it is his/her opinion that the proposed action is in the best interest of the BRA.



## PRIPRAVE NA PRIMER

Memorandum se zahteva v večini situacij, kjer mora ASBH delovati, glede na njen portfolio terjatev. Memorandum se uporablja za avtorizacijo aktivnosti s strani pristojnih. Pristojni tudi določijo raven, za katero se primer pripravi. Določiti je tudi potrebno najmanjši nivo knjižne vrednosti terjatve, za katero ni potrebno zahtevati memoranduma. Vse aktivnosti morajo biti dokumentirane.

### Memorandum in oblika

Tekst mora biti omejen na relevantna dejstva, ki obsegajo naslednja področja:

Predlog  
Opis (portofolio) terjatev  
Osnovno ozadje  
Finančna obvestila  
Alternative in priporočila  
Verifikacija  
Črte za podpise

Ta področja so opisana spodaj:

### Predlog

Predlog mora vsebovati le specifične aktivnosti, za katere se zahteva avtorizacija s strani pristojnih. Nobena dodatna informacija ni potrebna. Pisec mora biti natančen in jasen pri tem, katere aktivnosti predlaga.

### Opis terjatev

Podan mora biti krajši opis terjatev. Potrebno je navesti tudi ostale relevantne informacije: številko terjatve, datum obveznosti, znesek, izdelovalca, obrestno mero, zapadlost plačila, zapadlost plačil obresti, seznam garantov in zavarovanj. Če je pri zavarovanjih vključena tudi hipoteka, morajo biti posredovane še sledeče informacije: vrstni red na hipoteki in ostale vpisane na hipoteko, vrednost nepremičnine, dodatki k nepremičnini, komentarje o zasedbi, lokacijo imetja in značilnosti sosedov, status imovinskih davkov in cenitvene informacije.

### Kratko ozadje

To področje mora vsebovati kratek povzetek dejstev, glede na predlog. Takšna dejstva lahko vključujejo relevantne podatke v zvezi s stanjem terjatev in/ali pogajanj z dolžnikom, ki so podlaga za predlagano aktivnost.

### Finančna obvestila

To področje mora vključevati kratke povzetke finančnega stanja dolžnika. Pri definiranju dolžnikovega finančnega stanja mora biti komparativna analiza narejena na osnovi sedanjih in preteklih finančnih poročil. "Account officer" mora potrditi točnost finančnih informacij/podatkov prek različnih pregledov terjatev in kreditnih poročil.

### Alternative in priporočila

To področje mora primerjati priporočeno dejanje/aktivnost z alternativami, ki so ASBH dosegljiva. Specifični primeri alternativ vključujejo stečajne in/ali pravde. Druga možna rešitev zajema direktno likvidacijo firme. Pisec mora upoštevati, da okrevanje podjetja zahteva stroške v zvezi s trženjem in prodajo imetja. Pri iskanju možnih rešitev mora predlagatelj ovrednotiti možne iztržke terjatve za vsako od navedenih alternativ.

### Verifikacije

To področje zajema seznam dejstev, ki potrjujejo oz. podpirajo predlog. To področje naj ne bi predstavljalo gradiv oz. dejstev, ki predhodno še niso bili predstavljeni. To področje mora izpostaviti tista dejstva, ki najboljše argumentirajo, da je (predlagano) dejanje/aktivnost v najboljšem interesu ASBH.

### Črte za podpis

"Account officer" mora zagotoviti črte za podpis za vse stranke v poslu. Ko se pripravlja primer, je potrebno vedeti, da je osnovni namen le-tega zagotoviti ustrezne informacije, ki so potrebne za analizo bistvenih razlogov za predlagano dejanje/aktivnost. Ko je informacija prezentirana, mora biti čim bolj kompletna, vendar brez dodatkov, ki niso relevantni za odločitev. Dodatne nepotrebne informacije lahko le zameglijo bistvo in zmedejo bralca, kar pomeni zamudo pri izvedbi.

V nekaterih primerih so potrebne dodatne informacije kot podpora predlogu. Te informacije morajo biti v obliki prilog k primeru in lahko vsebujejo pisna pravna mnenja, finančna poročila ali cenitve.

Ko se pregleduje, moramo upoštevati več faktorjev. To vključuje bistvene razloge za predlagano dejanje in potrditve. Najpomembnejša funkcija tistega, ki je zadolžen za pregled primera je, da ovrednoti poslovno odločitev. Ko predpostavljeni odobri in posreduje predlog na višjo raven, s tem potrdi, da je po njegovem mnenju predlagano dejanje v najboljšem interesu ASBH.

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WHAT IS A CASE?

A COMPREHENSIVE MEMORANDUM

REQUESTING AUTHORITY TO ACT

FROM ONE PARTY TO ANOTHER ON

A RECOMMENDED ACTION.

## WHEN CASES ARE NEEDED

- FORECLOSURE BID/NO BID
- SETTLEMENT – COMPROMISE OF DEBT
- WORKOUT
- REAL ESTATE BUDGET
- TO LIST OR SELL REAL ESTATE
- SALE OR RELEASE OF COLLATERAL
- EXPENDITURES
- ACCEPT DEED-IN-LIEU OF FORECLOSURE
- SETTLEMENT OF LITIGATION

# A CASE FORMAT CONSISTS OF...

- HEADING
- SUBJECT
- PROPOSAL
- BAR DESCRIPTION OF ASSET
- DESCRIPTION OF ASSET
- GENERALIZATION
- RECOMMENDATION
- SUBSTANTIATION OF RECOMMENDATION
- SIGNATURE PAGE
- ATTACHMENTS

## CASE FORMAT:

## NARRATIVE DESCRIPTION

- THE ORIGINAL DATE
- ORIGINAL AMOUNT
- MAKER
- GUARANTORS, CO-SIGNERS  
AND/OR ENDORSERS
- INTEREST RATE
- MATURITY TERMS
- PURPOSE
- ANY ALTERATIONS
- BRIEF PAYMENT HISTORY
- COLLATERAL DESCRIPTIONS

# CASE FORMAT: GENERALIZATION

- NARRATIVE HISTORY OF THE DEBT  
AND THE DEBTOR(S)
- A THOROUGH ANALYSIS OF THE  
DEBTOR(S) FINANCIAL SITUATION
- AN IN-DEPTH DISCUSSION REGARDING  
THE PROPOSAL AND BENEFITS THEREOF
- A DISCUSSION ON COLLATERAL VALUES,  
ANY LEGAL RAMIFICATIONS AND  
ALTERNATIVES TO THE PROPOSAL
- ANY OTHER APPROPRIATE INFORMATION

# ATTACHMENTS TO A CASE

- DESCRIPTION OF ASSET FOR MULTI-ASSET LINE
- SUMMARY OF OFFERS RECEIVED
- SUMMARY OF NEGOTIATIONS
- STATUS OF PREVIOUSLY APPROVED CASES
- SUMMARY OF APPRAISALS
- AMENDMENT
- ADDENDUM



# OBJECTIVES IN WRITING A CASE

- YOU WANT A YES ANSWER
- WRITING, READING OR UNDERSTANDING A  
CASE SHOULD NOT BE TIME CONSUMING
- A CASE SHOULD ANSWER ANY RELEVANT  
QUESTIONS THE PROPOSAL BRINGS TO  
THE MIND OF THE READER
- THE PROPOSED ACTION SHOULD BE THE  
MOST POSITIVE ACTION AVAILABLE

## KAJ JE PRIMER?

VSEOBSEŽEN JEDRNAT MEMORANDUM, KI ZAHTEVA

OD PRISTOJNIH, DA DELUJEJO V SKLADU

S PREDLAGANIMI DEJANJI.

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## DODATKI K PRIMERU

- OPIS TERJATEV  
..
- POVZETEK SPREJETIH PONUDB
- POVZETEK POGAJANJ
- STATUS PREDHODNO ODOBRENIH PRIMEROV
- POVZETEK OCEN/CENITEV
- POPRAVEK
- DODATKI

## CILJI PISANJA PRIMERA

- ŽELIMO POZITIVNI ODGOVOR
- PISANJE, BRANJE ALI RAZUMEVANJE PRIMERA NE SME BITI DOLGOTRAJNO
- PRIMER MORA ODGOVORITI NA VSAKO RELEVANTNO VPRAŠANJE, KI GA PREDLOG SUGERIRA BRALCU
- PREDLAGANO DEJANJE MORA BITI NAJBOLJŠE OD MOŽNIH

## KDAJ SO POTREBNI PRIMERI?

- DOKONČANJE PONUDB
  - DOGOVOR-KOMPROMIS DOLGA
  - IZDELEK
  - PRORAČUN ZA NEPREMIČNINE
  - PRODAJA NEPREMIČNIN
  - PRODAJA ALI SPROSTITEV ZAVAROVANJA
  - IZDATKI
  - SPREJEM "DEED-IN-LIEU" ZAKLJUČNEGA POSLA
  - DOGOVOR O PRAVNIH ZADEVAH
-

## OBLIKA PRIMERA SE SESTOJI IZ:

- GLAVE
- PREDMETA
- PREDLOGA
- KRATKEGA OPISA TERJATEV
- POSPLOŠITVE
- PRIPOROČIL
- POTRDITVE PRIPOROČIL
- STRANI ZA PODPISE
- DOPOLNIL

## OBLIKA PRIMERA : ZAPOREDNI OPIS

- ORIGINALNI DATUM
- ORIGINALNI ZNESEK
- IZDELOVALEC
- GARANTI, SOPODPISNIKI
- OBRESTNA MERA
- DATUMI ZAPADLOSTI
- NAMEN
- VSE SPREMEMBE
- KRATEK OPIS ZGODOVINE PLAČIL
- OPISI ZAVAROVANJ

## OBLIKA PRIMERA : POSPLOŠITVE

- KRONOLOŠKA ZGODOVINA DOLGA IN DOLŽNIKA(OV)
- POGLOBLJENA ANALIZA DOLŽNIKOVE FINANČNE SITUACIJE
- POGLOBLJENA DISKUSIJA V ZVEZI S PREDLOGOM IN KORISTMI LE-TEGA
- POGOVOR O VREDNOSTIH ZAVAROVANJA TER O ALTERNATIVAH PREDLOGA
- VSAKA DRUGA USTREZNA INFORMACIJA



MEMORANDUM

To: Marijan Groff

From: Mike Moore  
Dan Glaspy

Date: July 27, 1994

Re: Asset Case Preparation

Attached please find a Case Preparation Guideline which we have prepared for your use in preparing asset cases for action requests. We are available to review this information with you and your staff at your convenience.

## CASE PREPARATION

A case memorandum is required in most situations where the BRA must take action with respect to an asset. Case memoranda are used to authorize actions by the appropriate delegated authority. The delegations of authority determine the level for which a case is written. A minimum book value amount should be determined at a level, below which no case memorandum would be required. However, all such actions should be documented in the asset files.

### Case Memorandum and Format

The text of the case should be limited to relevant facts that will substantiate the proposal and would normally contain the following sections:

- Proposal
- Description of Asset
- Brief Background
- Financial Highlights
- Alternatives
- Recommendation
- Substantiation
- Signature Lines

These sections are described below.

### Proposal

This section should only contain the specific action for which authority is requested. No additional information is necessary. The writer should be concise and clear as to what action he/she is proposing.

### Description of Asset

This section should give a brief description of the asset. The following information should be included as appropriate: asset number, date of obligation, original amount, maker, interest rate, payments due, interest paid to date, listing of guarantor or endorsers and description of all collateral security. If holding real estate or mortgages as collateral security, the following additional information should generally be supplied: lien position, dollar amounts and holders of prior liens, size of real estate, improvements added to the real estate, comments on occupancy, location of property and neighborhood characteristics, status of property taxes and appraisal information.

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### Financial Highlights

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When reviewing a case, several factors should be evaluated. These include the merits of the proposed action and the justification. The most important function of the reviewer is the evaluation of the business decision. When a supervisor approves and forwards a case memorandum to a higher level, this official states that it is his/her opinion that the proposed action is in the best interest of the BRA.

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MEMORANDUM

To: Marijan Groff  
From: Mike Moore  
Dan Glaspy  
Date: November 1, 1994  
Re: BRA Asset Department Credit Review Committee

As an additional component of your organizational chart and delegations of authority formats, you may want to consider forming a BRA Asset Department Credit Committee which would review matters under its delegated authority or before they are sent to the Director's office for approval. Below is an outline of such a committee, modeled after credit review committees in the FDIC, for your review:

Formation

The BRA Director could establish a Credit Review Committee to approve certain matters under delegated authority and to review matters approved by the Manager, Assistant Manager and Section Chiefs of the BRA Asset Department. The Director may delegate any or all of his authority to the Credit Review Committee for credit related matters subject to any limitation imposed on the Director or Assistant Director.

Composition of the Credit Review Committee

Director - BRA  
Assistant Director - BRA  
Manager - Asset Department  
Assistant Manager - Asset Department (optional)

Additional voting members may be appointed at the election of the Director. Three voting members would constitute a quorum.

Function of the Credit Review Committee

The BRA Director and the BRA Assistant Director will have broad delegations of authority for credit related matters. Generally, their approvals will be limited to emergency actions and the Credit Review Committee will approve, reject or concur in the most significant credit related matters for the BRA except for those matters requiring Director approval.

Frequency of Meetings

The Credit Review Committee should meet often enough to assure timely action on all credit related matters. It is the responsibility of the Manager of the Asset Department to bring to the attention of the Director or Assistant Director the need for any emergency meetings to expedite critical matters.

Minutes of the Credit Review Committee

The Director shall appoint a Secretary for the Credit Review Committee meetings and appropriate records should be maintained to record all actions amended, approved, denied, tabled or concurred. The minutes should reflect the members present and the vote of each member on each case considered at the meeting.

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DELEGATIONS	Director	Credit Review Committee	General Manager	Asst. Gen. Manager	Section Chief
Compromise or Debt Equity Swap					
Restructure					
Write off					
Sale of Collateral					
Release Collateral					
Expenditures					
Deed-in-lieu					
Sell Claims/Loans					
Loan Guaranty					
Approve/Authorize Commitments					
Appoint Individuals to Subs, Credit or Bankruptcy Committees					
Waive Interest					
Leases					
Initiate Litigation					
Settle Litigation or Dismiss Defendants					

AP

MEMORANDUM

TO: FILE November 13, 1994

FROM: Dan Glaspy  
Advisor

RE: Recap of BRA Assets Department Meeting 11-9-94

Department Manager Marijan Groff conducted a meeting with his Account Officers to recapp procedural changes and to implement new policies, most of which had been suggested by Advisors Mike Moore and Dan Glaspy. His major points:

- Invite Moore and Glaspy to sit in on every Debtor meeting, as translators are now available.
- Use Moore and Glaspy to assist in the preparation of BRA Board Cases in the new FDIC DAS style.
- The Account Officers are to continue to use and maintain the new filing system.
- The Account Officers are to begin to study each asset's collection alternatives so the Advisors can assist them in developing an estimated cash recovery (ECR) per asset.
- The Advisors will assist Account Officers in preparing for BRA Board Meetings, in addition to actual Case writing.
- The Advisors will be conducting several training seminars, and translators will assist.
- A current BRA Board Case example will be used to demonstrate how Net Present Value (NPV) calculations can be detailed. The Advisors will offer follow up training, as well as one-on-one assistance.

Marijan Groff then asked Mike Moore to conduct a seminar on Account Officer Training guidelines that had been distributed to the Staff some time ago. Points discussed:

- Account Officers should consider discussing asset problems and solutions in a roundtable like setting with colleagues so all can benefit as different perspectives are noted.
- All asset information should be organized and filed in the new format. It should then be reviewed in detail, and an accurate asset status report prepared.
- Lacking asset information will be noted, and questions prepared for initial Debtor contact or meeting.
- Account Officers should have sufficient knowledge of the credit and a pre-planned strategy so as remain in the drivers' seat

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during Debtor meetings and negotiations.

- When the Economic Development Fund (SKLAD) or the Debtor attempt to force short notice meetings or demanding conditions, the Account Officer should immediately request updated financial/collateral information be provided before a meeting is allowed or conditions are even considered. Additionally, the Debtor or SKLAD can be asked to provide a written explanation to the BRA as to how it expects to repay its debt.
- The importance of an organized file and accurate asset status was demonstrated by the Adria Airways example. The BRA's largest credit has been transferred 3 times in 6 months, and the good status report and completed file eased transition to the subsequent Account Officers.
- After a Debtor meeting, 2 Account Officers can discuss meeting results and plan follow up. The assigned Account Officer may want to send a summary letter to the Debtor that re-iterates the BRA position or reminds of information request.
- Account Officers should always be aware of the appropriate Delegations of Authority, and remind Debtors that all discussions and negotiations are subject to formal approval.
- If a Debtor brings an Attorney to a meeting, the Account Officer must have a BRA Attorney there also.
- It was emphasized again that translators are available to allow the Advisors to attend Debtor meetings. The translators can explain the proceedings to the Advisors without disrupting the meeting.

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MEMORANDUM

September 5, 1994

TO: Vanda Rode  
Senior Manager

FROM: Dan Glaspy  
Advisor

RE: Lesnina Interles  
USFI Buyout offer from GL Malaysia

After our meeting with Director Palcic of Lesnina, I have reviewed the USFI financials, the GL Malaysia materials, and the documents in the Intercreditor agreements. There are several points that I want to make you aware of as you continue negotiations with Lesnina Interles.

BUYOUT OFFER OF GL MALAYSIA

GL Malaysia presents their buyout offer as if it were a rescue effort. On the contrary, it is an inexpensive way for them to increase their presence in the U.S. Their prospectus indicates that this is a primary objective, as they are re-tooling their furniture manufacturing plants, and expect to have the more efficient plants in production 1/95. They have already gotten a foothold with USFI via the purchase and leaseback of the Chatham County USFI building in the U.S., which may indicate that any buyout offer is less than arms-length. They proposed to put only about \$5,750,000 cash into the buyout, while erasing over \$18,000,000 in debt. They would then own over 80% of the re-structured company, gaining control of the \$11,000,000 of unencumbered inventory and equipment on hand, and while making use of USFI's tax loss carryforwards totalling over \$12,800,000.

Further, their threat to "buy only the best part of USFI at liquidation value in a forced bankruptcy" is not valid. In the U.S., bankruptcies tend to take several years for a Company the size of USFI. USFI has the right to propose a re-organization plan, and can easily be given 1 year to prepare such. In the interim, Bankruptcy Trustees usually agree that no part of the Company can be sold off until the proposed plan is presented. Even if USFI decided to liquidate in Bankruptcy, Creditors such as Proteus, LBS, LBdd, etc., could stop or stall any partial sale of assets to GL for 6 months to 2 years. If GL truly needs a U.S. distribution point/Company, they can't wait for the liquidation sale of just the best parts of USFI.

While I understand that the BRA is not the negotiating entity for the buyout offer, it would benefit the BRA to make sure the offer is increased, since any cash from the buyout should flow through to the BRA in exchange for the BRA debt write-off. I suggest that the following points be considered by Lesnina Interles or LBS Bank,

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should they be the parties negotiating the buyout that will ultimately benefit the BRA:

1. Increase the cash that GL is offering to Lesnina/LBS to at least \$5,000,000. That is still less than half the tax loss carryforwards that GL can use after they acquire USFI. (BRA should also require that any Lesnina share of those funds be given directly to the BRA in exchange for debt write-off.)
2. The 500,000 \$1 par value shares offered in the new USFI should be modified to a flat 30% or more of the newly capitalized Company, as a 30% minimum would ensure that Lesnina/BRA ownership percentage would remain valuable and increase as the GL group puts in more capital and amasses earnings. You should get contract clauses that will not allow GL to dilute the 30%, and you should have full voting rights and seats on the board. Later on you may need to appear ready to be active in the Company's management, forcing GL to buy your shares on a nuisance basis. (Again, BRA should get the new shares turned over to it in return for Lesnina debt write-off.)
3. In the buyout, Lesnina/LBS should get a new collateral agreement on \$5,000,000 of the current inventory or equipment. Then GL will have to forward Lesnina (BRA should get an assignment) the inventory sale proceeds as it is sold off in the normal course of USFI business.

#### LESNINA INTERLES PROBLEMS

BRA needs to be careful that Lesnina Interles is not acting in concert with USFI and GL to keep the buyout offer as low as possible, or to direct buyout funds away from the BRA. I am concerned that Lesnina Interles will file bankruptcy and put this GL offer before a Trustee or Bankruptcy Director to negotiate. They can use this method to pay other favored creditors, like Lesnina Finance, in lieu of the BRA. One possible solution to this is to immediately negotiate a transfer of the 74% USFI interest from Lesnina to the BRA, and then BRA deals with the GL group, and Lesnina is left to dissolve or file bankruptcy. (They admit to have moved all their business to a "daughter" company, and are down to 5 employees; Their current existence must be only due to the small operating, profitable subsidiaries, and the chance to get some cash off the GL buyout.)

I would be happy to go over these and other points with you.

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## VIDEM-KRSKO PAPER COMPANY

The Videm-Krsko pulp and paper mill is the largest of its type in the former Yugoslavia, and supplied 70% of the wood based paper market before break up of the country. It is located in the Slovenian City of Krsko, 101 km from Ljubljana, and 35 km from Zagreb. The physical plant is spread over several acres among 6 multi-level buildings. The pulp mill was constructed in 1939, and the paper mill originated in 1955. Both have been expanded and modernized through the 1980's with capital investments exceeding DEM 70 million/US\$ 43 million. The paper mill has 4 paper production lines, including a modern computerized line brought into full production in late 1993. The plant facilities include loading docks for truck transport as well as for adjacent rail lines and highway/rail access to EEC Countries is good. Adequate water is supplied by the nearby Sava river, and the plant includes a cogeneration energy plant primarily producing steam power via several fuels.

The pulp and paper mills have recent annual production levels of 130,000 tons of paper and 130,000 tons of cellulose/chemical pulp. Technological improvements include addition of a de-inking facility to allow use of recycled materials in lieu of coniferous and deciduous trees which are not always readily available within Slovenia.

The European purchasers of Videm-Krsko's products have deemed the paper to be of high, desirable quality.

### RECENT OPERATIONS

Videm-Krsko filed Bankruptcy 4-1-1993, unable to meet liabilities due to the loss of their Yugoslavian markets and the large volume of uncollectible receivables. 574 creditors have registered claims of which the Court has allowed DEM 162 million/US\$ 101 million. A Court authorized evaluation (appraisal) of all Videm assets is in process, and should be completed by 6-15-94; tentative interim market values have been provided by the appraiser as follows:

Paper Mill Equipment:	DEM 71,827,677	--US \$44,892,298
Paper Mill Buildings:	19,505,889	12,191,180
External Land:	3,750,036	2,343,772
Pulp Mill Equipment:	DEM 30,535,517	--US \$19,084,698
Pulp Mill Buildings:	9,519,709	5,949,818
External Land:	1,006,735	629,209
Subsidiaries, Other:	DEM 17,866,824	--US \$11,166,765

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TOTAL VALUE: DEM 154,012,387 - US \$96,257,740

Special note: Values provided are preliminary and subject to submission of the final appraisal report and certification by the Bankruptcy Court as well as the pool of Creditors. Values are also subject to currency exchange rate fluctuations.

al

In hopes of improving the company's viability during the Bankruptcy process, Videm's 3 main operating components were short-term leased to third parties as follows:

1. Paper Production -- Leased to Videm Papir, owned by the Republic of Slovenia Development fund (630 employees)
2. Pulp Production -- Leased to Vitacel, owned by private citizens and other legal entities (330 employees)
3. Product Sales -- Leased to Papiroti, owned by private and social legal entities, including the Triglav Insurance Company (110 employees)

The leased operations are using the skilled Videm employees on a temporary basis, as both the leases and employees are subject to reduction or termination by the Court. The average gross employee salary is DEM 1200/US\$ 750 per month.

Current operating statistics are only available from the paper mill operator, Videm Papir. (See attached) They indicate that April, 1994 was the first profitable month since the Bankruptcy filing. The pulp mill and product sales financial information is pending release from the Bankruptcy Director/Trustee; That information may not be relevant, as their leases appear to indicate that those support divisions are to operate at break-even only, and the Paper Mill financials incorporate some of the support division's activities.

The assigned Bankruptcy Director/Trustee has formulated several proposals for a resolution of this case. The Creditors, of which the Bank Rehabilitation Agency held debt represents 53%, are reviewing the alternative proposals. As in any Bankruptcy of this size, there is some conflict and dissension among Creditors, though there is general agreement that a debt-equity swap is desirable to keep the business in operation to sustain and increase value.

Even though Videm-Krsko has been operating under strain since the break-up of Yugoslavia, there are some positive indications of future growth possibilities:

1. The eastern european countries are consuming paper goods at only 30% of that of the EEC countries. As modernization efforts progress, paper consumption and sales will grow.
2. Slovenia and its neighboring countries are increasingly requiring recycling. This will increase the availability of waste papers for plant production, and lower material cost.
3. Videm-Krsko has an admitted need for expertise in the both the financial and marketing areas. Placing such experts within the company would decrease costs and increase sales.

MEMORANDUM

June 6, 1994

TO: Vanda Rode  
Senior Manager

FROM: Dan Glaspy *DS*  
Advisor

RE: Lesnina Interles  
Request From LBS Bank for BRA Execution of Deposit Pledge

After our discussion last week, I wanted to summarize for you my thoughts on the handling of this asset. I have not yet read the voluminous Intercreditor Agreement, but there are some initial steps that you may consider taking anyway.

Background

It is my understanding that LBdd guaranteed a \$4,000,000 line of credit from LBS Bank (NYC) for United States Furniture Industry (USFI). LBdd has an offsetting deposit at LBS, which LBS wants to have formally pledged by the BRA in anticipation of USFI's inability to pay any principal on the line of credit. (USFI may not have paid any interest since 12/93, either, and claims to be in financial stress while undergoing review by potential purchasers) LBS is willing to transfer to the BRA it's 2nd position on the USFI accounts receivable/inventory if the deposit pledge is executed.

Actions for BRA to Consider

Before the BRA executes the deposit pledge agreement, consideration should be given to obtaining the following from LBS:

1. LBS should provide written evidence of the efforts they have taken to collect the loan, with indications that they have taken measures that are "business prudent", and in the interest of protecting both the LBS and LBdd position.
2. LBS should provide a complete set of current financial and operating statements for USFI, along with any LBS prepared financial analysis, loan review or internal loan classification. Any correspondence between USFI and LBS concerning the recent USFI Board or Shareholder's meeting and the USFI treatment of the LBS debt should be provided.
3. LBS should provide a complete, current appraisal/evaluation of the 2nd position pledge of USFI's accounts receivable and inventories. The 1st position pledge to Congress Financial must be defined and indicated as to the total value. A complete list of aged accounts receivable should be provided, along with detailed explanation as to USFI's (or LBS's) attempt to collect any receivables outstanding more than 30 days. A complete list of

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Page 2, Lesnina Memo, continued

inventories should be provided with detail as to inventory holding periods and turnover, as well as notation of any outstanding invoices to inventory suppliers that may take precedence to the Congress/LBS pledges.

4. LBS should be willing to provide the BRA with a complete copy set of their loan files.

5. LBS should have their U.S. Counsel draw up the assignment documents to effect the BRA's assumption of the 2nd position on the USFI accounts receivable and inventories. Their U.S. Counsel should provide a written opinion to the BRA that the assignment is proper under U.S. law, and a draft set of the proposed documents should be provided immediately for review by BRA Counsel. The LBS Counsel should also provide the BRA with written assurance that the assignment would not violate any terms of the intercreditor agreement or the original loan documents.

I believe that LBS should be notified that these items are necessary before the BRA signs the new deposit pledge agreement. I realize that some of these items may be available from LBdd, but it would be best to have the most current information directly from LBS, as they are the party with whom the BRA will deal with if the deposit pledge/guaranty is formally drawn on by LBS later this year.

I would be happy to assist you in drafting a fax letter requesting any of these items. There are other general suggestions about the handling of Lesnina Interles that I will discuss with you after I review the intercreditor agreements.

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MEMORANDUM

June 6, 1994

TO: Vanda Rode  
Senior Manager

FROM: Dan Glaspy *DG*  
Advisor

RE: Videm-Krsko Paper and Pulp Mill  
Preparation for Meeting with HAGO

After our discussion last week, I wanted to summarize for you my thoughts on the items that would help the BRA better prepare to negotiate a settlement of the machinery claims that HAGO holds in the Videm-Krsko bankruptcy.

Background

Several years ago, an Austrian company, HAGO, arranged the Videm-Krsko purchase of a modern paper machine, as well as some de-inking and/or other equipment. They have an accepted bankruptcy claim of DEM 12 Million, and have Court authorization to seize and remove the equipment that had original cost over DEM 110 Million. LBdd has a "draft" or letter of credit (?) of DEM 4.5 that it can demand draw on HAGO, who says it would answer such an action with a bankruptcy filing. HAGO has requested a meeting this week with the BRA and other affected parties, and claims to have located a buyer for the equipment. Removal of the equipment would doom any re-organization attempt of Videm, and seriously impair the cash liquidation value of the remaining equipment.

Action for BRA to Consider

Since any HAGO sale of equipment would devalue the BRA bankruptcy claims, I suggest a number of tactics to stall or derail any HAGO equipment sale. These tactics should also confirm that a reasonable and justifiable sale effort has been made by HAGO, should they prevail in selling the equipment.

1. Have BRA Counsel file motions to compel, or have the BRA Staff request, that the Bankruptcy Trustee take the following action:
  - Identify the proposed HAGO buyers,
  - Question the HAGO effort to find potential buyers, and have any recent comparable sale values/terms investigated,
  - Establish how the equipment can be accurately valued and determine whether HAGO has a justified sale price,
  - Cost compare/Net present value the sale/breakup of the Videm assets versus a sale of the whole operation intact and move to block any HAGO sale based on Videm being more valuable in whole or on an ongoing basis,
  - Conduct a Trustee auction of the equipment after a wide spread and thorough marketing effort, and

- Allow the Creditor's Group to conduct it's own sale effort.
- 2. Request that HAGO supply information that justifies their proposed sale effort, as well as sets up several settlement scenarios, such as:
  - HAGO produce a current balance sheet/operating statement, and identify it's pressing creditors and their schedule of liability repayments,
  - HAGO present information as to the extent of it's equipment marketing effort, and the quality of the proposed buyer, and
  - HAGO present information so as to certify that it's proposed sale is an arms-length transaction.

With this information in hand, you could more accurately assess the alternative HAGO settlement scenarios. Perhaps the pressing HAGO Creditors can agree to assume HAGO's equipment claims in lieu of scheduled debt payments.

In any event, I believe the BRA should bluff HAGO by noting that BRA is moving to file "stalling" motions in the Bankruptcy, as noted above. HAGO should understand that BRA is also ready to draw the DEM 4.5M at LBdd as soon as necessary. Thus, BRA Counsel should be alerted to be investigating the employment of these actions.

I am available to assist you in drawing up a fax letter that would cover the request of HAGO, or to discuss further with you and Counsel the possible Bankruptcy Trustee Motions.

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MEMORANDUM

DATE: January 6, 1995

TO: Ida Menard  
Account Officer

FROM: Dan Glaspy  
Advisor

RE: U.S. Documents Necessary to Assign LBS U.S.F.I. Collateral  
Lien to the BRA.

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You have advised me that the Lbdd guarantee of the LBS debt to U.S.F.I. has been called. The BRA has used Bonds to transfer the Lbdd guaranteed debt on to the BRA.

To properly assign the LBS collateral to the BRA, I suggest you request LBS have their U.S. Attorney provide the following documents for the BRA:

1. Filed Uniform Commercial Code #3 (UCC-3) assignments from the appropriate State and County Records offices for LBS and U.S.F.I. These filed assignments should reference the previous filed LBS UCC-1's to ensure all collateral is assigned to the BRA.
2. The LBS/U.S.F.I. Promissory Note should be endorsed/assigned by LBS to the BRA, either on the back, or by an attachment.
3. The LBS/U.S.F.I. Security Agreements and any other Collateral documents should be assigned by LBS to the BRA in the same manner.
4. The LBS U.S. Attorney should provide the BRA with a written letter that he has reviewed this transaction, and that these documents are legally proper and binding under U.S. law, and that the same legal rights of LBS under the original documents have passed to the BRA. He should provide any other necessary documents that his legal review indicates the need for. (Note: It is possible that the U.S. Attorney may advise you to first assign the note/collateral documents to Lbdd, and follow that with an assignment of the note/collateral documents from Lbdd to the BRA.)

I want to make it clear that I am not an attorney, and am not attempting to provide you with legal advice. The LBS U.S. Attorney should be willing to provide the legal opinion and the proper assignment documents based on the call of the \$4,255,000 guarantee. The BRA may want to engage it's own U.S. Attorney for advice and review of the assignment transaction.

I prepared this on very short notice, and would be happy to review the documents further, and assist you in any way you need.

## FAX EXAMPLE

As you may be aware, the BRA has assumed the LBS loan to USFI, due to the payment of the Ljubljanska Banka guarantee of it. Mr. Karim has renewed his offer of \$4.75 million for the Lesnina USFI Stock, and we hope to have the BRA Board vote on acceptance of that offer at its next meeting 18 January 1995. We ask that you provide us with updated USFI financial and asset information as quickly as possible, so we may prepare the Board Case and answer questions of BRA Management. The information we need is as follows:

1. Year-end balance sheet and income/expense statement for USFI, with supporting schedules. It should clearly indicate all assets and all creditors.
2. An aged analysis of accounts receivable, as well as a breakdown on the type and age of inventory, its turnover rate, and status of assembly.
3. A description of equipment, its purchase date, and its locale.
4. A complete description as to the Real Estate assets of USFI. This should include the current use, location, acres of site, square feet of buildings, improvements, and the date and amount of last appraisal. Any past offers to purchase, and any broker listing agreements, also. A summary of the transaction in 1994 where the Malaysian group purchased USFI Real Estate, and its relationship to other owned USFI Real Estate.
5. A copy of any current Business Plan or USFI re-structure scheme, in contemplation of the Malaysian Group takeover. We also request information as to the 1994 level of USFI sales of Malaysian produced goods, as well as projections for future sales under the proposed re-structure.
6. Any supporting information that was used to prepare the August 1994 liquidation analysis. A description of the Company that performed the analysis, the scope of their review, and the final cost. A copy of any update.

Please fax or overnite mail this information as soon as possible. While we realize that this is a lot of information to supply in such short notice, it is the minimal data necessary to support the Board request for approval of the Malaysian offer that will keep USFI operating.

We ask that you understand also how tough a decision this is for the BRA Board. Over the past several years, Slovenian Banks and Companies have supplied more than \$16 Million in operating funds or loans to USFI. If the Malaysian offer is approved, the debt forgiveness that USFI enjoys will remain in Slovenia as outstanding bonded indebtedness to be repaid from tax revenues. Thus, a decision that appears simple to USFI and its employees becomes a future burden to Slovenia and its Citizens.

General Manager

cc: Matjaz Palcic fax 326-570

**AGENCIJA REPUBLIKE SLOVENIJE  
ZA SANACIJO BANK IN HRANILNIC**

BANK REHABILITATION AGENCY  
OF THE REPUBLIC OF SLOVENIA

Trg republike 3  
61000 Ljubljana  
Slovenija  
telefon 125 60 47  
telefax 125 61 79

## TELEFAX

Poslati na številko To fax number	<b>0060-3-635-0794</b>
Naslovník Company	<b>Land &amp; General Berhad</b>
Za Att.	<b>Mr. Abdul Karim Ahmad Tarmizi</b>
Pošilja From	<b>Mr. Alojz Jamnik</b>
Datum Date	<b>17.01.95</b>
Št. strani vključno s to stranjo Pages including this page	<b>1</b>

### SPOROČILO / MESSAGE:

BRA finds your offer of January 11, 1995 attractive, but we are reluctant to accept it, because of the conditions you require. The conditions leave too many questions open.

We also have legal concern about the structure of the stock purchase and debt forgiveness.

Please provide us with an unconditional offer and explain the procedure that L&G would use to buy the shares and eliminate debt. This will allow BRA to consider how to structure the buyout among the Slovenian entities under Slovenian law.

If you provide us with an unconditional offer and a description of the buyout procedures, we would strive to clear the legal questions in 3 weeks.

Sincerely,

Legal Adviser

Janez Keržan

Deputy Managing  
Director

Alojz Jamnik

MEMORANDUM

TO: Janez Krzan            Ida Menard  
     BRA Attorney         Account Officer

DATE: 16 Janaury 1995

FROM: Dan Glaspy  
       Advisor

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I have quickly written a sample fax for you to consider sending to LBS. I believe it covers the concerns you raised this afternoon. Please review and change as you see necessary.

I want to remind you that I am not an attorney, and the BRA may want to consider obtaining the services of a U.S. Attorney, since this U.S.F.I. loan assignment is part of a very complicated series of U.S. banking transactions.

**Sample Fax to Send LBS Bank/Goran Gazivoda**

The BRA wants to move ahead with executing the U.S.F.I. assignment documents as soon as possible. Because there are hundreds of pages of previous documents that fall under United States laws, we have some concerns. Please consider supplying the following information or documentation so that we may obtain the appropriate BRA signatures on the assignment AGREEMENT:

1. An Attorney Opinion Letter from LBS to the BRA that indicates your Counsel is familiar with the U.S.F.I. documents and loans, that this assignment transaction and documents are proper and binding under the outstanding Loan and Intercreditor Agreements, and that all supporting collateral has been properly assigned to the BRA under U.S. law.
2. An explanation as to the term "without recourse, representation or warranty", as used under Section 7 of the AGREEMENT that was supplied for this transaction.
3. A short written statement from LBS that the loan was handled in a reasonable and businesslike manner during the period outstanding, that there are no known LBS violations of the loan documents and LBS knows of no liability arising from the LBS treatment of the borrower.

I believe these items will provide BRA Management with further substantiation to execute the assignment agreement.

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AGENCIJA REPUBLIKE SLOVENIJE  
ZA SANACIJO BANK IN HRANILNIC

BANK REHABILITATION AGENCY  
OF THE REPUBLIC OF SLOVENIA

Trg republike 3  
61000 Ljubljana  
Slovenija  
telefon 386 61 176 30 70  
telefax 386 61 125 61 88

## TELEFAX

Poslati na številko To fax number	<b>001 212 980 8600</b>
Naslovník Company	<b>LBS Bank</b>
Za Att.	<b>Goran Gazivoda</b>
Pošilja From	<b>Janez Krzan</b>
Datum Date	<b>16.01.95</b>
Št. strani vključno s to stranjo Pages including this page	<b>2</b>

### SPOROČILO / MESSAGE:

The BRA wants to move ahead with executing the U.S.F.I assignment documents as soon as possible. Because there are hundreds of pages of previous documents that fall under United States laws, we have some concerns. Please consider supplying the following information or documentation so that we may obtain the appropriate BRA signatures on the assignment AGREEMENT:

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2. An explanation as to the term "without recourse, representation or warranty", as used under Section 7 of the AGREEMENT that was supplied for this transaction.
3. A short written statement from LBS that the loan was handled in a reasonable and businesslike manner during the period outstanding, that there are no known LBS violations of the loan documents and LBS knows of no liability arising from the LBS treatment of the borrower.

I believe these items will provide BRA Management with further substantiation to execute the assignment agreement.

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Sample Fax to U.S.F.I.

To: Mr. Davis Beaston  
President, U.S.F.I.

Via Fax 001-910-884-7015

From: Ida Menard  
BRA Account Officer

We hope this week to complete the proposal to obtain formal BRA Board approval for the Malaysian buyout offer. We ask your cooperation in supplying additional U.S.F.I. materials to support the proposal. Please fax us the following information:

1. A final version of the August 1994 Liquidation Analysis, as well as any update completed after August. (Our copy indicates "draft", and only the first few pages are readable.)
2. A set of 1994 year end U.S.F.I. financial statements. (Mr. Cornwell had indicated they would be available about 1/31/95.)
3. The current balance of the Congress Financial loan, as well as information as to the \$750,000 that they were holding in October.

We believe this information will support our proposal to the Board, and should provide us with answers to their anticipated questions.

Please fax this information to us, followed by DHL.

We appreciate your cooperation.

**FINAL STATUS REPORT**

SLOVENIA BANK REHABILITATION PROJECT

USAID Contract EUR-0014-1-00-1056-00, #29

December 20, 1995

Michael Moore  
Daniel Glaspy  
Work Out Advisors for the BRA

The Bank Rehabilitation Agency of the Republic of Slovenia (BRA) contracted with U.S.AID to develop its Asset Management Department based on the format of the Federal Deposit Insurance Corporation's (FDIC) Division of Depositor and Asset Services (DAS). In addition, the BRA was also seeking review and advice in the handling of problem assets taken out of troubled banks by the BRA. As a result of their contract with U.S.AID, Deloitte & Touche placed the above captioned advisors in Slovenia who have extensive experience in FDIC DAS policies and procedures, as well as in problem asset work out and resolution.

The Work Out Advisors prepared DAS style policy and procedure guidelines for review by the BRA Management and assisted the BRA in staff training for implementation. The Work Out Advisors worked with the BRA staff on individual asset transactions, assisting in the review of work out alternatives and negotiation strategies. The Work Out Advisors' responsibilities fell under the following tasks:

- o Adapt, develop and implement departmental policies and procedures for the management and liquidation of assets under BRA management based on the FDIC DAS model.
- o Develop asset resolution case formats for use by the department in presentations to BRA credit committees, including the development of standardized financial analysis formats.
- o Provide training, including formal seminars, to department staff regarding policies and procedures and preparation of asset resolution cases in standardized formats.
- o Provide advice and assistance to department management and staff regarding negotiating strategy and the restructuring of individual assets to maximize recovery.

U.S.AID Advisors Michael Moore and Daniel Glaspy worked in Slovenia May 5, 1994 to the present, advising primarily on the implementation of policies and procedures that supported the orderly resolution of \$800,000,000 in problem loans removed from the three major banks in Slovenia. The Advisors also provided hands on assistance in the handling of specific problem loans, advising account officers in the development of resolution strategies, negotiation tactics, financial analysis, and preparation of credit committee cases for asset resolution approvals.

Specific policy and procedure items adopted to organize the staff of the newly formed Bank Rehabilitation Agency included: a uniform filing system for all loan materials and documents, adaptation of a formal organizational chart and structure, use of staff position descriptions to outline duties, responsibilities and performance expectations, development of an Agency specific computer based asset status report system to detail problem loan resolution activity and monitor account officer efforts, the use of a new format for compiling and presenting credit committee cases to gain approval of alternative resolution scenarios, and the implementation of board approved delegations of authority that foster an improved decision making process.

Seminars and one-on-one training of Agency account officers in the following areas were conducted:

- Loan file organization and documentation analysis,
- Valuation of collateral,
- Review and analyzation of debtor financial statements,
- Development of alternative problem loan resolution scenarios,
- Estimated cash recovery and net present value analysis of problem loan resolution scenarios,
- Preparing for debtor meetings and planning negotiating strategies, and
- Compiling and presenting credit committee cases for approval.

The advisors have completed a Bank Rehabilitation Agency Manual that details their efforts, and can be used in other developing countries. The Advisors have also assisted the Bankers Association of Slovenia in the preparation of a seminar on troubled debt restructuring and problem loan work out that will be presented to Slovenian and Croatian bank officials in early 1996.

Attached are copies of the policies, procedures and training materials developed by the Advisors during their term in Slovenia. Also attached is a copy of the Bank Rehabilitation Agency Manual.

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