

**EXHIBIT 10-1
COMPETITIVE ENVIRONMENT RISK ASSESSMENT**

Question	Risk Assessment					
	Low		Average		High	
	0	1	2	3	4	5
Industry Characteristics/Trends						
• Markets are mature, low unit volume growth?	N	N	??	??	Y	Y
• Industry return on investment is low?	N	N	??	??	Y	Y
• Principal products are commodities?	N	N	??	??	Y	Y
• Offshore production capacity is growing?	N	N	??	??	Y	Y
• Industry is down cyclically; excess capacity exists?	N	N	??	??	Y	Y
• Disruptive technology is changing markets?	N	N	??	??	Y	Y
• Industry has low barriers to entry?	N	N	??	??	Y	Y
• Products are seasonal or fashion oriented?	N	N	??	??	Y	Y
TOTAL SCORE						
Number of 4s and 5s						
Company Competitive Position						
• Low market share?	N	N	??	??	Y	Y
• Declining market share?	N	N	??	??	Y	Y
• Company lags in offshore sourcing?	N	N	??	??	Y	Y
• Product technology lags industry state-of-the-art?	N	N	??	??	Y	Y
• Latest industry show results were poor?	N	N	??	??	Y	Y
• Competitors have cost advantage?	N	N	??	??	Y	Y
• Suppliers exert heavy cost leverage?	N	N	??	??	Y	Y
• Significant new CAPEX required?	N	N	??	??	Y	Y
TOTAL SCORE						
Number of 4s and 5s						

KEY to scoring – Circle most accurate:

N = No

Y = Yes

?? = Uncertain; not clear-cut

0 = No, without exception

3 = Generally yes, with regular exceptions

1 = Generally no, minor exceptions

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**EXHIBIT 11-1
ORGANIZATION AND BUSINESS PROCESSES RISK ASSESSMENT**

Question	Risk Assessment					
	Low	Average			High	
	0	1	2	3	4	5
Organization						
• Management focuses on revenue growth not profits?	N	N	??	??	Y	Y
• Control over ROI has been a problem?	N	N	??	??	Y	Y
• Bureaucratic rules delay minor decisions?	N	N	??	??	Y	Y
• One person controls key customer relationships?	N	N	??	??	Y	Y
• Many long-service employees are resisting change?	N	N	??	??	Y	Y
• Decision-making is highly centralized?	N	N	??	??	Y	Y
• Long term business strategy is not well defined?	N	N	??	??	Y	Y
• Responsibility and accountability are not well defined?	N	N	??	??	Y	Y
TOTAL SCORE						
Number of 4s and 5s						
Business Processes						
• Above average quality complaints?	N	N	??	??	Y	Y
• Above average manufacturing costs?	N	N	??	??	Y	Y
• Operating reports are late or meaningless?	N	N	??	??	Y	Y
• Middle management is not provided operating data?	N	N	??	??	Y	Y
• Expenditures are not controlled with realistic budgets?	N	N	??	??	Y	Y
• Revenue budgets are dictated from management down?	N	N	??	??	Y	Y
• Quarterly result targets drive key decisions?	N	N	??	??	Y	Y
• High share of sales are at end of a quarter?	N	N	??	??	Y	Y
TOTAL SCORE						
Number of 4s and 5s						

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EXAMPLE
EXHIBIT A-1
XYZ CORPORATION

WEEKLY CASHFLOW DETAIL REPORT

(Dollars in thousands)

	Week 1	Week 2	Week 3	...(Weeks 4-13) –a)	13 Wks. Total	Average
Cash Receipts						
Accounts receivable	\$ 1,381	\$ 1,277	\$ 1,424	\$12,802	\$ 16,884	\$ 1,299
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total receipts	1,381	1,277	1,424	12,802	16,884	1,299
Cash Disbursements						
Payroll and related	158	561	123	3,058	3,900	300
Purchases/Material	607	670	500	3,947	5,724	440
Rents and leases	1	23	0	86	110	8
Telephone/Utilities	29	89	1	245	364	28
Professional services	51	416	80	1,558	2,105	162
Insurance	0	53	0	107	160	12
Other (detail as useful)	<u>844</u>	<u>448</u>	<u>224</u>	<u>4,290</u>	<u>5,806</u>	<u>447</u>
Total operating disb.	<u>1,690</u>	<u>2,260</u>	<u>928</u>	<u>13,291</u>	<u>18,169</u>	<u>1,398</u>
Operating Cash flow	(309)	(983)	496	(489)	(1,285)	(99)
Non-recurring costs:						
Capital expenditures	8	8	8	80	104	8
Debt service	<u>4</u>	<u>3</u>	<u>0</u>	<u>1,123</u>	<u>1,130</u>	<u>87</u>
Non-operating disb.	<u>12</u>	<u>11</u>	<u>8</u>	<u>1,203</u>	<u>1,234</u>	<u>95</u>
Net Cash flow	(321)	(994)	488	(1,692)	(2,519)	(194)

(a – To be forecast and reported by week

Note that expenditures in Exhibit A-1 relating to operating cash flow are segregated from those related to non-recurring costs, capital expenditures and debt service. Line-item details of the forecast must be oriented toward key control centers of the business. For effective use of the forecast as a management tool, it is essential that the parties who control receipts and disbursements – not financial employees without direct operating responsibilities – supply the forecast data. The forecasts should ignore expense allocations among business centers and functions and should assign forecasting responsibility to employees with disbursement approval authority. Provide enough detail in the forecast to be clear without becoming immersed in non-essential detail. In a business with a relatively small group of customers, forecast receivable collections by customer to

**EXHIBIT 6-1
LIQUIDITY AND FINANCING RISK ASSESSMENT**

Question	Risk Assessment					
	Low		Average		High	
	0	1	2	3	4	5
Liquidity						
♦ Cash crisis (negative availability) is likely within 60 days?	N	N	??	??	Y	Y
♦ Debt service exceeds cash flow from operations?	N	N	??	??	Y	Y
♦ Large operating earnings declines are occurring?	N	N	??	??	Y	Y
♦ 50% or more of accounts payable are over stated terms?	N	N	??	??	Y	Y
♦ Significant non-cash financing is required, <i>i.e.</i> , LC's, bonding?	N	N	??	??	Y	Y
♦ Significant increase in working capital (no. of days)?	N	N	??	??	Y	Y
♦ High seasonal working capital needs?	N	N	??	??	Y	Y
♦ Total assets employed are increasing significantly?	N	N	??	??	Y	Y
TOTAL SCORE						<input type="text"/>
Number of 4's and 5's						
Financing/Lender Relationships						
♦ Borrowings are on a secured basis?	N	N	??	??	Y	Y
♦ Borrowing base reporting is required?	N	N	??	??	Y	Y
♦ Loan covenants are out of compliance?	N	N	??	??	Y	Y
♦ Relationship with agent is strained?	N	N	??	??	Y	Y
♦ Loan has been transferred to workout?	N	N	??	??	Y	Y
♦ Debt service payments are delinquent?	N	N	??	??	Y	Y
♦ Financials have "going business" opinion?	N	N	??	??	Y	Y
♦ Bankruptcy counsel has been retained?	N	N	??	??	Y	Y
TOTAL SCORE						<input type="text"/>
Number of 4's and 5's						

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**EXHIBIT 9-5
OPERATIONS RISK ASSESSMENT**

Questions	Risk Profile					
	Low		Average		High	
	0	1	2	3	4	5
Operations						
♦ Unit sales volume trends are negative?	N	N	??	??	Y	Y
♦ Operating earnings trends are negative?	N	N	??	??	Y	Y
♦ Income below forecasts due to revenue misses?	N	N	??	??	Y	Y
♦ Income below forecasts due to cost increases?	N	N	??	??	Y	Y
♦ Gross margin ratios have declined significantly?	N	N	??	??	Y	Y
♦ S, G & A ratios have increased significantly?	N	N	??	??	Y	Y
♦ Return on investment is low?	N	N	??	??	Y	Y
♦ Union rules restrict production flexibility?	N	N	??	??	Y	Y
<u>TOTAL SCORE</u>						
Number of 4's and 5's						
Business/Organization Stability						
♦ Relationships have deteriorated with key customers?	N	N	??	??	Y	Y
♦ Customer base is highly concentrated?	N	N	??	??	Y	Y
♦ Growth has been largely via acquisition?	N	N	??	??	Y	Y
♦ Acquisitions have not been well integrated?	N	N	??	??	Y	Y
♦ Losses have occurred implementing new projects?	N	N	??	??	Y	Y
♦ Management turnover is high?	N	N	??	??	Y	Y
♦ Employees with core competencies are leaving?	N	N	??	??	Y	Y
♦ Directors are insiders or lack business knowledge	N	N	??	??	Y	Y
<u>TOTAL SCORE</u>						
Number of 4's and 5's						

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