



Asset Liability Modeling and Management and ALCO Support Proposal

OUR PROMISE

As your potential partner in this vital endeavor, Seifried & Brew LLC (“S&B”) promises to provide _____ (the “Bank”) with the knowledge and expertise needed to keep moving forward – during times of prosperity and economic downturns.

THE S&B PHILOSOPHY

S&B provides dynamic content, context, and education to community financial institutions through client-specific access. The mediums available to clients are nationally recognized speaking engagements, facilitations, books, articles, analyses, internet-based presentations, risk models, and the proprietary Seifried & Brew Total Risk Index (the “S&B Risk Index”).

Through significant experience, S&B has expertise in national and regional economic perspectives. For community financial institutions, the partnership has industry-wide influence on strategic planning, risk management, asset liability management, capital planning, financial trending, investment portfolio review, and conflict resolution. Whether the needs are at the board level, with the senior management team, or customer events, S&B’s philosophy is founded on traditional, conservative, and profitable community banking that creates an environment for our nation to prosper.

Conventional concepts are the root of every insight we offer. They historically are, and always will be, the foundation and strength of our financial system.

THE S&B PROCESS

S&B has the expertise to work with your board and management team in assessing risk, setting prudent risk parameters, and monitoring risk trends. S&B believes that asset liability knowledge and dynamic modeling is critical for managing capital risk, credit risk, earnings at risk, and liquidity risk.

S&B has partnered with Velligan-Blaxall Consultants LLC (VBC) to perform Outsourced Modeling, Balance Sheet Valuations (including M&A/FASB ASC Topic 805 and Topics 820 & 825), Model Validations and Core Deposit Studies. VBC’s expertise includes not only modeling and valuing the Bank, but also simulating changes to the balance sheet, including interest rate simulations and other stress-testing criteria.

Quarterly A/L Management Evaluation

VBC will perform, coordinate and present the Bank’s quarterly A/LM evaluation using IPS-Sendero.

In addition to producing A/LM reports, S&B provides education and insight using your prepared data and the collective resources of the S&B-VBC analytical team. We make your numbers come alive and illustrate how ALCO can be the board’s driver of the Bank’s value. S&B also assists ALCO in formulating and analyzing the simulations offered in this proposal. And, by integrating S&B’s nationally recognized strategic planning methods and vast knowledge of community banking, we create a firm foundation to move the Bank toward strategic using asset/liability management effectively over time.



Deliverables:

ALMeasuresSM

This 20+ page report set includes the following items.

- A board/executive summary using text, numeric tables, and graphics to evaluate the Bank's sensitivity to earnings, liquidity, and economic value risks.
- S&B's proprietary report set, which includes an A/LM risk dashboard and Bloomberg[®] style approach to user-friendly A/LM analytics, based on "Yield Table" and "Total Return Analysis."
- Multi-scenario analytics based on yield curve shift and twist scenarios.
- Key assumptions.
- Trended reports, both historic and projected.

ALMeasuresSM Details

This 100+ page report set includes the following items.

- Income, yield, balance sheet, liquidity, and sources/uses reports for the Bank's "base case" scenario.
- Multi-scenario comparative income and economic value reports.
- "What If" Scenarios – Included in your report set is the capability for "what if" simulation and strategy evaluation, including the following seven "stock" scenarios:
 1. Base Case Flat (rates and balances) or Base Case Growth (flat rates with growth balances);
 - 2-5 Rate shocks including +1%, +2%, -1% and -2%; and
 - 6-7 Two stylized yield curve twists, such as a yield curve steepener and a yield curve flattener.
- Each additional "What If" Scenario/strategy evaluation requested is billed at \$250 per hour. A typical strategy evaluation takes between two to three hours to complete. However, actual time needed will vary depending on the complexity of the strategy.

Review and Control Environment

Regulations, including Sarbanes-Oxley, require an A/LM model review and a secure control environment, whether the analysis is prepared in-house or outsourced. As part of our service, S&B provides:

- Secure, 128 bit encryption of the Bank's data and reports;
- Process documentation, including A/LM model set up and configuration; and
- Data validation and data management reports.

S&B Performance Risk Report

The S&B Performance Risk Report ("S&B PRR") is an all-inclusive report of the Bank's performance and risk profile which includes the S&B Risk Index.

The S&B PRR will provide the Bank with a thorough review of its balance sheet, income statement, and other financial and strategic information. The S&B PRR also provides comparisons to a state peer group and national benchmark. (A customized peer group can be substituted for the state peer group at an additional fee.) Trend analysis is also an important element of this report.

S&B will also utilize its proprietary S&B Risk Index to incorporate our risk evaluation of the Bank's business model and to examine the Bank's risk exposure taking into account the economic environment. This



includes capital risk, credit risk, liquidity risk, earnings at risk, national economic risk, and state economic risk.

S&B's analytics division will work with you to truly represent your Bank thoroughly and accurately.

Annual Subscription to S&B Performance Risk Report

Annual subscribers, as opposed to clients engaging S&B for only one quarter of the S&B PRR, have the benefit of the following features:

- Access to Quarterly ALCO webcasts featuring Dr. Ed;
- One-on-one access to our analysts;
- Performance Risk Essentials (a separate document), which includes S&B's "Top 10" suggestions for the Bank;
- S&B Competitor Watch (see below); and
- Collateral material for your board, management, and ALCO meetings.

As an annual subscriber, the S&B PRR will also include S&B's Competitor Watch feature. The S&B Competitor Watch uses the S&B risk and reward models to compare the Bank to selected competitors. Maybe the Bank's competitors have higher earnings, but are they taking more risk than the Bank? The S&B Competitor Watch will answer this question and more. You get to select up to three competitors you wish to compare against the Bank's performance. This report will allow your management team to monitor what the Bank's competitors are doing on a quarterly basis.

Quarterly Offsite Presentations Supporting ALCO Meetings

From national conventions to the board room, S&B has developed the skills to convey critical information and translate concepts into understandable communication. This "common-sense" approach can be very useful in presenting S&B's evaluation of the Bank's A/L management and the S&B Performance Risk Report to your ALCO and management team. Conventional concepts are the root of every insight we offer.

S&B will participate in your Bank's ALCO meetings four times a year through electronic means, such as teleconferencing or via webcasts. This one-on-one interaction with S&B's experts will enable your ALCO members and management team to confirm how the Bank is performing, gain insight into what plans and actions will bring positive change to the Bank and be propelled to use the A/L management process strategically.



THE S&B BOOKSTORE

S&B has published books that can help directors and senior management increase their knowledge of community banking. If you wish to purchase any of our books, please contact us. The S&B Bookstore includes:

- Post-Financial Crisis Strategic Planning for Community Banks
- The Art of Capital Planning – The “How-To” Guide
- How the Seifried & Brew Total Risk Index Predicted 99% of Failed Banks/Managing Risk Post-Financial Crisis
- The Art of Risk
- The Art of Tax Efficiency



**Asset Liability Modeling and Management
and ALCO Support Proposal
Engagement Letter**

Seifried & Brew LLC (“S&B”) agrees to perform all outlined services for _____ (the “Bank”) in a timely manner and to the Bank’s satisfaction. This signed Engagement Letter will engage both the Bank and S&B to perform these strategic exercises together for the joint purpose of examining and planning for the long-term value of the Bank.

Services:

✓ Check Desired Services	Services :	Pricing	Amount Due For Services Checked
	Quarterly A/L Management Evaluation (including ALMeasures SM) – VBC A/L model	\$20,000	
	S&B Performance Risk Report Covering 4 Quarters ¹ ,	\$7,500	
	4 Offsite ALCO Meetings ²	\$10,000	
	Onsite Meeting ³	\$2,500	
Total Amount Due For All Services			\$

- 1 The pricing also includes one (1) telephone conference with Jamie Sumner and/or Kyle Kuster.
- 2 It is anticipated that these meetings will be conducted by Jamie Sumner and/or Kyle Kuster via electronic means as determined by the parties.
- 3 This per onsite meeting fee does not include travel expenses, which will be billed separately.

Contract pricing is guaranteed for 30 days from the date of execution of the Engagement Letter by S&B.
Payment of \$10,000 is due upon execution of the Engagement Letter by the Bank, with the remaining three (3) payments each to be billed to and paid by the Bank quarterly . Please remit all payments to Seifried & Brew LLC, 817 West Broad Street, Bethlehem, PA 18018.



Confidentiality:

In order to provide the services outlined herein, the Bank understands and agrees that it will be necessary to provide certain financial data and other information to S&B that the Bank considers confidential and proprietary. To ensure proper confidential treatment of this information, the Bank acknowledges that it has read the Confidentiality Agreement on the next page, and agrees with and accepts that the terms of the Confidentiality Agreement are sufficient to properly protect its confidential and proprietary information.

By signing this Engagement Letter, the Bank is authorizing S&B to complete and deliver the service indicated above. With notification, additional services may be added.

_____ **Bank**

Signature
Name: _____
Title: _____
Date: _____

Seifried & Brew LLC

Signature
Name: _____
Title: _____
Date: _____



**Asset Liability Modeling and Management
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Confidentiality Agreement**

In connection with the services to be provided by Seifried & Brew LLC (the "S&B Services"), we acknowledge that you will provide us with access to confidential financial and other proprietary information about the Bank and its operations (the "Confidential Information"). S&B hereby agrees as follows:

Confidentiality

We will use the Confidential Information only for the purpose of performing and completing the S&B Services for you and we will not disclose or reveal the Confidential Information other than as directed by you in writing. The foregoing notwithstanding, the Confidential Information or portions thereof may be disclosed to those of our directors, officers, employees, advisors and agents (collectively, "Representatives") who need to know such information for the purpose of performing and completing the S&B Services for you (it being understood that the Representatives will be informed of the confidential nature of the Confidential Information and will agree to comply with this Confidentiality Agreement).

Confidential Information

The term "Confidential Information" does not include information which (i) at the time of disclosure or thereafter is generally available to and known by the public (other than as a result of its disclosure by us or our Representatives in violation of this Agreement), (ii) was available to us on a non-confidential basis from a source other than you, or (iii) has been independently acquired or developed by us without violating any of our obligations under this Agreement.

Required Disclosure

In the event that we or any of our Representatives are requested pursuant to or required by applicable law, regulation or legal process to disclose any of the Confidential Information, we will notify you promptly so that you may seek a protective order or other appropriate remedy or, in your sole discretion, waive compliance with the terms of this Agreement. In the event that no such protective order or other remedy is obtained, or that you waive compliance with the terms of this Agreement, we will furnish only that portion of the Confidential Information which we are advised by counsel is legally required and will exercise all reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Confidential Information.



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Electronic Transmission of Information

Because standard e-mail is not a confidential communication mechanism, S&B strongly recommends that all Confidential Information transmitted from you to us and all Confidential Information, as well as any other information, you request to have transmitted from us to you be sent utilizing our web-based secure file upload utility. This utility will improve the security of such transmissions. For more information about our file upload utility or to begin using it to send us Confidential Information, please contact our team by phone or email or utilize the "Contact Us" section of our website. If you choose to communicate with us and/or receive information or data from us via standard e-mail and without the use of our secure file upload utility, you may do so. In any event, however, it is understood and agreed by both you and S&B that S&B cannot be and is not responsible for any breach of confidentiality because of the unauthorized access to electronic communications by others.

Please provide your communication preference by initialing one of the options below:

Web-Based Secure File Upload Utility E-mail

Seifried & Brew LLC

Signature
Name: _____
Title: _____
Date: _____