Dale Kluga, Cobra Capital

Since we are a small company, our deal flow ebbs and flows relative to the needs of Cobra's small biz customer base which may not be in line with the large lessors/finance companies surveyed by ELFA or national stats since our clients have an entirely different mindset than large public companies with employee's having very little skin in the game. Having said that, I have a few comments about July volume with our small biz clients:

• Small biz continues to seek out ways to do more with less; in many cases they postpone new equipment purchases (unless they have definitive, immediate and guaranteed cost savings benefits) and are trying to make their legacy equipment last as long as humanly possible; in other more opportunistic situations, their deferral philosophy means it's gonna break and when it does they will need new equipment asap and will be willing to lease it if they are tapped out at their bank;

• Our clients have reported that the community banks in their local footprint are becoming much more competitive on rate if you can meet their underwriting criteria; I believe these inactive C&I community bankers are finally waking up to the reality that the "old" Great Recession days of lending only on CRE and hoarding treasuries is definitively over and, (this month in particular), they are now actively out in the market trying to drum up new C&I business which I believe is due to the sad fact that most small banks failed to hit their C&I loan production numbers in the first half and are now acting in a reactionary and ultra competitive mode since they have also exceeded the regulatory limits on their CRE loan production;

• Nearly every community banker I met with during July consistently referenced both facts that: small biz C&I loan demand is weak and or; small biz is still having trouble meeting their bank's underwriting guidelines;

• There is very little new business creation happening in almost every market and as a result banks of every size openly acknowledge that they are not creating new market share but are simply stealing existing share from competitors through low rates and more aggresive advance rates on collateral;

• The few start-ups we met with recently still complain that all banks, (big and small), are reluctant to help them finance their business loans; those same start-ups also complain that the non-bank online lenders are just as bad because they are demanding un-sustainable, egregiously high effective rates in the +30's and much higher which is a short term fix and would put them out of business within a year;

- The underserved market void between these ultra conservative banks and the loan shark, high rate lenders continues to grow particularly with the recent deterioration in the private equity and securitization markets for online lenders; in some cases (like Chicago based Avant, the most legitimate, premier consumer online lender) the good operators have drastically reduced their volume and staff down to an astonishing one fifth of prior levels vs last year at this time;

- The ridiculous presidential candidates and campaigns on both sides of the aisle have created sufficient anxiety to cause smart entrepreneurs to hold back on their capex until after the election for fear of making a bad decision;

So, in summary for July we see: weak demand; virtually non-existent new business creation; ultra competitive market conditions for established businesses; tremendous opportunities for the legitimate but fewer start-up deals; more anxiety and frustration perpetuated by Washington politics and the fallacious Presidential race which will stall any real sustainable GDP growth for some time beyond the sad record over the last 8 years.