NOTE 6 – BANK DEBT

The Fund's bank debt consists of the following (in thousands):

	Type	Maturity	March 31, 2010 Amount of facility	March 31, 2010 Amount outstanding (1)	March 31, 2010 Amount available (2)	Interest rate per annum	Interest rate per annum adjusted for swaps (3)	December 31, 2009 outstanding balance
Wells Fargo	Revolving	February 2012	$ 75,000	$ 72,731	$ 2,269	One month Libor +4.1%	5.5%	$ 74,991
Morgan Stanley	Term	(4)	137,700	137,700	—	One month Libor +3.%	8.2%	150,366
Morgan Stanley/RBS-A	Term	(5)	68,834	68,834	—	One month Libor +5.%	9.4%	84,451
Morgan Stanley/RBS-B	Term	(5)	17,217	17,217	—	One month Libor +20%	24.4%	17,217
UniCredit	Revolving	(6)	100,000	99,990	10	(6)	5.0%	100,000
			$ 398,751	$ 396,472	$ 2,279			$ 427,025

(1) Collateralized by specific leases and loans and related equipment. As of March 31, 2010, $430.8 million of leases and loans and $15.8 million of restricted cash were pledged as collateral under the Fund's credit facilities.

(2) Availability under these debt facilities is subject to having eligible leases or loans (as defined in the respective agreements) to pledge as collateral, compliance with covenants and the borrowing base formula.

(3) To mitigate fluctuations in interest rates, the Fund entered into interest rate swap and cap agreements. The interest rate swap agreements terminate on various dates and fix the London Interbank Offered Rate ("LIBOR") component of the interest rate.

(4) The Morgan Stanley term loan matures on June 1, 2010. The Fund is engaged in discussions to extend the maturity of the term loan beyond June 1, 2010. If the Fund does not obtain such extension, management expects that any borrowings outstanding as of such date will continue to be repaid as payments are received on the underlying leases and loans pledged as collateral.

(5) The Morgan Stanley/RBS facility was paid off on May 18, 2010 as the Fund closed on a $92.7 million term securitization in which 3 tranches of notes were issued to investors that mature on October 23, 2016 and September 23, 2018, respectively. All three notes bear interest at 5%.

(6) HVB was purchased by UniCredit Bank AG, New York Branch ("UniCredit"). On April 30, 2010, the Fund entered into an amendment with UniCredit thereby extending the maturity date of this facility to March 31, 2011 and increasing the interest rate on this facility from the commercial paper index plus 1.10% percent to the commercial paper index plus 2.50%.

Upon maturity or in the event of a default, the Fund's lenders have various remedies under their individual loan agreement such as allowing repayment of the outstanding loan balance as payments are received on the underlying leases and loans or selling those pledged leases and loans in a commercially reasonable manner. While it is rare for lenders to take such a drastic action as selling a performing portfolio, to satisfy outstanding amounts at maturity, such action could be at prices lower than the Fund's carrying value, which could result in losses and reduce the Fund's income and distributions to our partners.

The Fund is subject to financial covenants under its debt facilities including minimum tangible net worth, maximum leverage ratios and portfolio delinquency that are intended to measure the Fund's financial viability, limit the amount the Fund can borrow based on measuring its debt to net worth and measure performance of its portfolio. In addition, the Fund's debt facilities include financial covenants covering LEAF Financial, an affiliate of the General Partner and the servicer of its portfolio. These covenants exist to provide the lender with information about the financial viability of the entity that services its portfolio. These covenants are similar in nature to the covenants discussed above that are applicable to the Fund, and are related to such things as its servicer's minimum tangible net worth,

maximum leverage ratios, managed portfolio delinquency and compliance with the debt terms of all of LEAF Financial's managed entities.

As of March 31, 2010, the Fund was in compliance with the covenants under its debt facilities except for three covenant breaches relating to LEAF Financial, the servicer of the Fund's portfolio. One covenant is regarding minimum cash and average cash balances required as per the Morgan Stanley term loan and the Morgan Stanley/RBS facilities agreements. The third is regarding managed portfolio delinquency as per the Wells Fargo agreement.

The Fund has requested waivers from both Wells Fargo and Morgan Stanley with respect to these breaches. Due to these breaches, Wells Fargo and Morgan Stanley have various remedies under their loan agreements such as allowing repayment of the outstanding balance as payments are received on the underlying leases and loans or selling the pledged leases and loans in a commercially reasonable manner. As previously discussed, the Morgan Stanley/RBS loan was paid off in full on May 18, 2010 as part of the securitization of those related assets. Although the Fund expects to obtain waivers or to amend the covenants in its loan agreements with Wells Fargo and Morgan Stanley, there can be no assurance that such waivers or amendments will be executed. If waivers or amendments are not obtained, it is likely that LEAF Financial would not be in compliance with the same covenants at June 30, 2010. In addition, these breaches could create defaults under the Fund's other debt facilities and those lenders have remedies similar to that of Wells Fargo and Morgan Stanley.

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A default could occur that would have an adverse effect on its operations and could force it to liquidate all or a portion of its portfolio securing its debt facilities. If required, a sale of a portfolio, or any portion thereof, could be at prices lower than its carrying value, which could result in losses and reduce the Fund's income and distributions to its partners. The lenders' recourse under these facilities is limited to leases loans and restricted cash pledged as collateral.