# RESOURCE AMERICA, INC. (REXI)

## 10-K

Annual report pursuant to section 13 and 15(d)
Filed on 12/13/2011
Filed Period 09/30/2011

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, DC 20549**

# Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2011

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

**Commission file number: 0-4408**


## RESOURCE AMERICA, INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **72-0654145** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**One Crescent Drive, Suite 203, Navy Yard Corporate Center, Philadelphia, PA 19112**

(Address of principal executive offices) (Zip code)

**(215) 546-5005**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(g) of the Act:

| Common stock, par value $.01 per share | NASDAQ |
|---|---|
| Title of class | Name of exchange on which registered |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(a) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the voting common equity held by non-affiliates of the registrant, based on the closing price of such stock on the last business day of the registrant's most recently completed second fiscal quarter (March 31, 2011) was approximately $36,833,000.

The number of outstanding shares of the registrant's common stock on December 1, 2011 was 19,504,693 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be filed with the Commission in connection with the 2012 Annual Meeting of Stockholders
are incorporated by reference in Part III of this Form 10-K.

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**RESOURCE AMERICA, INC. AND SUBSIDIARIES**
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**ON FORM 10-K**

# PART I

## ITEM 1. BUSINESS.

***This report contains certain forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expects," "intend," "may," "plan," "potential," "project," "should," "will" and "would" or the negative of these terms or other comparable terminology. Such statements are subject to the risks and uncertainties more particularly described in Item 1A, under the caption "Risk Factors." These risks and uncertainties could cause actual results and financial position to differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances after the date of this report, except as may be required under applicable law. We make references to the fiscal years ended September 30, 2011, 2010 and 2009 as fiscal 2011, fiscal 2010 and fiscal 2009, respectively.***

### General

We are a specialized asset management company that uses industry specific expertise to evaluate, originate, service and manage investment opportunities through our real estate, commercial finance and financial fund management subsidiaries. As a specialized asset manager, we seek to develop investment funds for outside investors for which we provide asset management services, typically under long-term management arrangements either through a contract with, or as the manager or general partner of, our sponsored investment funds. We typically maintain an investment in the funds we sponsor. As of September 30, 2011, we managed $13.3 billion of assets.

We limit our fund development and management services to asset classes where we own existing operating companies or have specific expertise. We believe this strategy enhances the return on investment we can achieve for our funds. In our real estate operations, we concentrate on the ownership, operation and management of multifamily and commercial real estate and real estate mortgage loans including whole mortgage loans, first priority interests in commercial mortgage loans, known as A notes, subordinated interests in first mortgage loans, known as B notes, mezzanine loans, investments in discounted and distressed real estate loans and investments in "value-added" properties (properties which, although not distressed, need substantial improvements to reach their full investment potential). In our commercial finance operations, we have focused on originating small and middle-ticket equipment leases and commercial loans secured by business-essential equipment, including technology, commercial and industrial equipment and medical equipment. In our financial fund management operations, we concentrate on trust preferred securities of banks, bank holding companies, insurance companies and other financial companies, bank loans and asset-backed securities, or ABS.

In January 2011, we contributed the leasing origination and servicing business platform of LEAF Financial Corporation, or LEAF Financial, into a new subsidiary, LEAF Commercial Capital, Inc., or LEAF, to facilitate outside investment into the leasing business platform. We obtained a contemporaneous investment in LEAF from Resource Capital Corp (NYSE: RSO), or RCC, a publicly-traded real estate investment trust, or REIT, that we manage, and a revolving securitized leasing warehouse facility with an independent third-party, Guggenheim Securities LLC and its affiliate, or Guggenheim. LEAF Financial will continue the asset management business by managing our commercial finance leasing partnerships. Subsequent to our fiscal year end, on November 16, 2011, we obtained an additional outside investment in LEAF by a third-party private equity firm, which we refer to as the November 2011 LCC Transaction. As a result of this outside investment, our equity interest in LEAF was reduced from 78.7% to 15.7% (on a fully diluted basis). Accordingly, we have determined that we no longer control LEAF and, effective with that investment, have deconsolidated it for financial reporting purposes. On a go-forward basis, our investment in LEAF will be accounted for under the equity method of accounting.

We have developed and manage public and private investment entities, REITs and, historically, collateralized debt obligation, or CDO, issuers. Our funds are marketed principally through an extensive broker-dealer/financial planner network that we have developed. During fiscal 2011, we focused on developing investment opportunities in our real estate segment, specifically for Resource Real Estate Opportunity REIT, Inc., or RRE Opportunity REIT, which is seeking to obtain up to $750.0 million in investor funding. Resource Real Estate Opportunity REIT commenced a public offering of its common stock for which we have raised $51.6 million in funds through September 30, 2011.

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## Assets Under Management

As of September 30, 2011 and 2010, we managed assets in the following classes for the accounts of institutional and individual investors, RCC, and for our own account (in millions):

| | September 30, 2011 | | | | September 30, 2010 |
|---|---|---|---|---|---|
| | Institutional and Individual Investors | RCC | Company | Total | Total |
| Trust preferred securities (1) | $ 3,890 | $ – | $ – | $ 3,890 | $ 4,213 |
| Bank loans (1) | 2,704 | 2,814 | – | 5,518 | 4,037 |
| Asset-backed securities (1) | 1,576 | – | – | 1,576 | 1,689 |
| Real properties (2) | 607 | 120 | 29 | 756 | 601 |
| Mortgage and other real estate-related loans (2) | 15 | 827 | 19 | 861 | 956 |
| Commercial finance assets (3) | 393 | – | 192 | 585 | 878 |
| Private equity and other assets (1) | 87 | 31 | – | 118 | 70 |
| | $ 9,272 | $ 3,792 | $ 240 | $ 13,304 | $ 12,444 |

(1) We value these assets at their amortized cost.

(2) We value our managed real estate assets as the sum of: (i) the amortized cost of our commercial real estate loans; and (ii) the book value of each of the following: (a) real estate and other assets held by our real estate investment entities, (b) our outstanding legacy loan portfolio, and (c) our interests in real estate.

(3) We value our commercial finance assets as the sum of the book value of the equipment, and leases and notes financed by us.

Our assets under management are primarily managed through the investment entities we sponsor. The following table sets forth the number of entities we manage by operating segment, including tenant in common, or TIC, property interests:

| | CDOs | Limited Partnerships | TIC Programs | Other Investment Funds |
|---|---|---|---|---|
| **As of September 30, 2011** (1) | | | | |
| Financial fund management | 37 | 13 | – | 1 |
| Real estate | 2 | 8 | 6 | 5 |
| Commercial finance | – | 4 | – | 2 |
| | 39 | 25 | 6 | 8 |
| **As of September 30, 2010** (1) | | | | |
| Financial fund management | 32 | 13 | – | – |
| Real estate | 2 | 8 | 7 | 4 |
| Commercial finance | – | 4 | – | 1 |
| | 34 | 25 | 7 | 5 |

(1) All of our operating segments manage assets on behalf of RCC.

## Real Estate

*General*. Through our real estate segment, we focus on four different areas:

- the acquisition, ownership and management of portfolios of discounted real estate and real estate related debt, which we have acquired through two sponsored real estate investment entities as well as through joint ventures with institutional investors;
- the sponsorship and management of real estate investment entities that principally invest in multifamily housing;
- the management, principally for RCC, of general investments in commercial real estate debt, including first mortgage debt, whole loans, mortgage participations, B notes, mezzanine debt and related commercial real estate securities; and
- to a lesser extent, the management and resolution of a portfolio of real estate loans and property interests that we acquired at various times between 1991 and 1999, which we collectively refer to as our legacy portfolio.

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*Discounted Real Estate Operations.* RRE Opportunity REIT intends to purchase a diversified portfolio of U.S. commercial real estate and real estate related debt that has been significantly discounted due to the effects of economic events and high levels of leverage, including properties that may benefit from extensive renovations intended to increase their long-term values. Through September 30, 2011, RRE Opportunity REIT raised an aggregate of $64.1 million, of which $51.6 million was through its public offering, acquired one property and eight real estate loans, foreclosed on three loans, and has received a discounted settlement payment on one loan.

In September 2007, we entered into a joint venture with an institutional partner that acquired a pool of eleven mortgage loans from the United States Department of Housing and Urban Development. This portfolio was acquired at an overall discount of 51% to the approximately $75.0 million face value of the mortgage loans. Through September 30, 2011, we have sold three of the mortgages, foreclosed on the properties underlying eight of the mortgage loans and sold six of the foreclosed properties.

In May 2008, we entered into a second joint venture, structured as a credit facility, with the same institutional investor, that makes available up to $500.0 million to finance the acquisition of distressed properties and mortgage loans and that has the objective of repositioning both the directly owned properties and the properties underlying the mortgage loans to enhance their value. On December 1, 2009, we sold our interest in this joint venture to RCC at its book value, while retaining management of the assets and continue to receive fees in connection with the acquisition, investment management and disposition of new assets acquired. Through September 30, 2011, this joint venture had acquired 18 distressed loans and two properties for an aggregate of $163.7 million and has foreclosed on 10 of the loans and sold three of the properties.

We record quarterly asset management fees from our joint ventures with an institutional partner which range from 0.83% to 1% of the gross funds invested in distressed real estate loans and assets. We recognize these fees monthly.

*Real Estate Investment Entities.* Since 2003, we have sponsored and manage 18 real estate investment entities (two of which have since been merged into a single entity and excluding the two real estate CDOs we sponsored and manage for RCC) having raised a total of $319.3 million in investor funds. Through September 30, 2011, these entities have acquired interests in 42 multifamily apartment complexes comprising 10,734 units at a combined acquisition cost of $581.0 million, including interests owned by third parties and excluding properties sold.

We receive acquisition and debt placement fees from the investment entities in their acquisition stage. These fees, in the aggregate, have ranged from 1% to 2% of the net purchase price of properties acquired and 0.5% to 5% of the debt financing in the case of debt placement fees. In their operational stage, we receive property management fees of 4.5% to 5% of gross revenues.

Additionally, we record an annual investment management fee from our investment partnerships equal to 1% of the gross offering proceeds of each partnership for our services. We record an annual asset management fee from our TIC programs equal to 1% to 2% of the gross revenues from the property in connection with our performance of our asset management responsibilities. We record an annual asset management fee from one limited liability company equal to 1.5% of the gross revenues of the underlying properties. These investment management fees and asset management fees are recognized monthly when earned and are discounted to the extent that these fees are deferred.

*Resource Capital Corp.* As of September 30, 2011, our real estate operations managed approximately $827.2 million of commercial real estate loan assets, including $676.7 million held in CDOs we sponsored in which RCC holds the equity interests and $119.9 million of property interests on behalf of RCC. We discuss RCC in more detail in "− Resource Capital Corp.," below.

*Resource Residential.* Our internal property management division, Resource Real Estate Management, Inc., or Resource Residential, has provided us with a source of stable revenues for our real estate operations. Furthermore, we believe that having direct management control over the properties in our investment programs has not only enabled us to enhance their profitability, but also provides us with a competitive edge in marketing our funds by distinguishing us from other sponsors of real estate investment funds. As of September 30, 2011, our property management division manages 37 fund multifamily properties in nine states, 16 distressed/value-added properties in eight states and one commercial property. In total, Resource Residential manages 54 properties in 14 states.

*Legacy Portfolio of Loan and Property Interests.* Between fiscal 1991 and 1999, our real estate operations focused on the purchase of commercial real estate loans at a discount to their outstanding loan balances and the appraised value of their underlying properties. Since 1999, management has focused on resolving and disposing of these assets. At September 30, 2011, the remaining legacy portfolio consisted of one loan with a book value of $933,000 and five property interests with a book value of $17.5 million.

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**Financial Fund Management**

*General*. We conduct our financial fund management operations primarily through six separate operating entities:

- Apidos Capital Management, LLC, or Apidos, finances, structures and manages investments in bank loans, high yield bonds and equity investments through CDO issuers, managed accounts and a credit opportunities fund;
- Trapeza Capital Management, LLC, or TCM, a joint venture between us and an unrelated third party, originates, structures, finances and manages investments in trust preferred securities and senior debt securities of banks, bank holding companies, insurance companies and other financial companies through CDO issuers and related partnerships. TCM, together with the Trapeza CDO issuers and Trapeza partnerships, are collectively referred to as Trapeza;
- Resource Financial Institutions Group, Inc., or RFIG, serves as the general partner for seven company-sponsored affiliated partnerships which invest in financial institutions;
- Ischus Capital Management, LLC, or Ischus, finances, structures and manages investments in asset-backed securities, or ABS, including residential mortgage-backed securities, or RMBS, and commercial mortgage-backed securities, or CMBS;
- Resource Capital Markets, Inc., or Resource Capital Markets, through our registered broker-dealer subsidiary, Resource Securities, Inc., or Resource Securities, (formerly Chadwick Securities, Inc.), acts as an agent in the primary and secondary markets for structured finance securities and manages accounts for institutional investors; and
- Resource Capital Manager, Inc., or RCM, an indirect wholly-owned subsidiary, provides investment management and administrative services to RCC under a management agreement between us, RCM and RCC.

We derive revenues from our existing financial fund management operations through management fees. We are also entitled to receive distributions on amounts we have invested directly in CDOs or in limited partnerships we formed that purchased equity in the CDO issuers we sponsored. Our CDO management fees generally consist of base and subordinated management fees. For the Trapeza CDO issuers we sponsored and manage, we share base management fees with our co-sponsors. For CDO issuers we sponsored and manage on behalf of RCC, we receive fees directly from RCC pursuant to our management agreement in lieu of asset management fees from the CDO issuers. We describe the management fees we receive from RCC in "− Resource Capital Corp" below. Base management fees generally are a fixed percentage of the aggregate principal balance of eligible collateral held by the CDO. Our base management fees range from 0.01% to 0.25% of a managed CDO's assets. Subordinated management fees are also a percentage of the aggregate principal balance of eligible collateral held by the CDO, and range from 0.04% to 0.40%, but typically are subordinated to debt service payments on the CDOs. The management fees are payable monthly, quarterly or semi-annually, as long as we continue to manage portfolio assets on behalf of the CDO issuer.

Additionally, we record fees for managing the assets held by the partnerships we have sponsored and for managing their general operations. These fees, which vary by limited partnership, range between 0.75% and 2.00% of the partnership capital balance.

*CDOs*. In our CDO management operations, we expect that we will continue to focus on managing the assets of our existing CDOs in fiscal 2012. While we will also seek opportunities to manage additional assets where we can use our existing financial fund management platform and personnel with little or no equity investment exposure, we cannot assure you that such opportunities will arise.

As of September 30, 2011, our financial fund management operations have sponsored and/or manage 37 CDO issuers (eight of which we manage on behalf of RCC) holding approximately $11.0 billion in assets as set forth in the following table:

| Sponsor/Manager | Asset Class | Number of CDO Issuers | Assets Under Management (1) |
|---|---|---|---|
| | | | (in millions) |
| Trapeza (2)(3) | Trust preferred securities | 13 | $ 3,890 |
| Apidos | Bank loans | 16 | 5,509 |
| Ischus (2) | RMBS/CMBS/ABS | 8 | 1,576 |
| | | 37 | $ 10,975 |

(1) Calculated as set forth in "Assets Under Management," above.

(2) We also own a 50% interest in the general partners of the limited partnerships that own a portion of the equity interests in each of five Trapeza CDO issuers.

(3) Through Trapeza, we own a 50% interest in an entity that manages 11 of the Trapeza CDO issuers and a 33.33% interest in another entity that manages two of the Trapeza CDO issuers.

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*Resource Capital Corp.* As of September 30, 2011, our financial fund management operations manage $2.8 billion of bank loans on behalf of RCC, of which $2.6 billion are in Apidos CDOs we sponsored and manage and of which RCC holds the equity interests in three of these CDOs. We discuss RCC in more detail in " − Resource Capital Corp.," below.

In October 2011, on behalf of RCC, we closed Apidos CLO VIII, a $317.6 million collateralized loan obligation, or CLO, for which we will receive asset management fees in the future.

*Company-Sponsored Partnerships.* We sponsored, structured and currently manage eight investment entities for individual and institutional investors, seven of which invest in banks and other financial institutions and one of which has been organized as a credit opportunities fund. At September 30, 2011, these partnerships held $86.8 million of assets.

**Resource Capital Corp.**

RCC, a publicly-traded REIT that we sponsored and manage, invests in a diversified portfolio of whole loans, B notes, CMBS and other real estate-related loans and commercial finance assets. At September 30, 2011, we owned 2.5 million shares of RCC common stock, or approximately 3.2% of RCC's outstanding common stock, and held options to acquire 2,166 shares (at an exercise price of $15.00 per share, which expire in March 2015).

We manage RCC through RCM. At September 30, 2011, we managed a total of $3.8 billion of assets on behalf of RCC. Under our management agreement with RCC, RCM receives a base management fee, incentive compensation, property management fees and a reimbursement for out-of-pocket expenses. The base management fee is 1/12th of 1.50% of RCC's equity per month. The management agreement defines "equity" as, essentially, shareholders' equity, subject to adjustment for non-cash equity-based compensation expense and non-recurring charges to which the parties agree. The incentive compensation is 25% of (i) the amount by which RCC's adjusted operating earnings (as defined in the agreement) of RCC (before incentive compensation but after the base management fee) for such quarter per common share (based on the weighted average number of common shares outstanding for such quarter) exceeds (ii) an amount equal to (a) the weighted average of the price per share of RCC's common shares in the initial offering by RCC and the prices per share of the common shares in any subsequent offerings of RCC, in each case at the time of issuance thereof, multiplied by (b) the greater of (1) 2.00% and (2) 0.50% plus one-fourth of the ten year treasury rate (as defined in the agreement) for such quarter, multiplied by the weighted average number of common shares outstanding during such quarter; provided, that the foregoing calculation of incentive compensation will be adjusted (i) to exclude events pursuant to changes in accounting principles generally accepted in the United States, or U.S. GAAP, or the application of U.S. GAAP, as well as non-recurring or unusual transactions or events, after discussion between us, RCC and the approval of a majority of RCC's directors in the case of non-recurring or unusual transactions or events and (ii) by deducting any fees paid directly by RCC to our employees, agents and/or affiliates with respect to profits earned by a taxable REIT subsidiary of RCC (calculated as if such fees were payable quarterly) not previously used to offset incentive compensation. RCM receives at least 25% of its incentive compensation in additional shares of RCC common stock and has the option to receive more of its incentive compensation in stock under the management agreement. Beginning in February 2011, we entered into a services agreement with RCC to provide subadvisory collateral management and administrative services for five CDOs holding approximately $1.7 billion in bank loans whose management contracts RCC had acquired. In connection with the services provided, RCC will pay us 10% of all base and additional collateral management fees and 50% of all incentive collateral management fees it collects. Prior to the formation of LEAF, we also received an acquisition fee of 1% of the carrying value of the commercial finance assets we sold to RCC. For fiscal 2011, the management, incentive, servicing and acquisition fees we received from RCC across all of our operating segments were $12.3 million, or 14% of our consolidated revenues.

**Commercial Finance**

*General.* In January 2011, we formed LEAF to conduct our equipment lease origination and servicing operations and to obtain outside equity and debt financing sources. LEAF Financial retained the management of our four equipment leasing partnerships, which are subserviced by LEAF. As a result of the equity and debt financing obtained in connection with LEAF's formation and the additional equity and debt financing obtained in November 2011 (after the end of our 2011 fiscal year), we have determined that we no longer control LEAF and, effective with that investment, have deconsolidated it for financial reporting purposes. On a go-forward basis, our investment in LEAF will be accounted for under the equity method of accounting. See "Business- General". We retained the management of the four leasing partnerships and a 15.7% (fully diluted) equity interest in LEAF.

During fiscal 2011, we originated $105.8 million in commercial finance assets. As of September 30, 2011, we managed a $585.4 million commercial finance portfolio, of which $389.0 million were on behalf of the four investment entities we sponsored and whose management we have retained and subserviced to LEAF.

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## Credit Facilities and Notes

As of September 30, 2011, we had two corporate credit facilities, one with TD Bank and the other with Republic Bank.

The TD Bank credit facility has two components, a revolving line of credit and a term note. As of September 30, 2011, we had outstanding borrowings of $7.5 million with availability of $1.5 million under the line of credit, and borrowings of $1.3 million outstanding under the term note. The current interest rate on the line and term note is, based on our election, at either (i) the prime rate of interest plus 2.25% (with a floor of 6%) or (ii) London Interbank Offered Rate, or LIBOR, plus 3% (with a floor of 6%). In addition, we have a $503,000 letter of credit outstanding, which reduces our availability on the line of credit, and for which we are charged a 5.5% fee. The line matures on August 31, 2012. In November 2011, we extended the maturity of the line of credit to August 31, 2013 and we repaid the remaining outstanding balance of the term loan. As of December 1, 2011, there was $5.3 million outstanding on the line of credit and $1.7 million of availability.

Borrowings on the credit facility and term note are secured by a first priority security interest in specified assets and guarantees by certain subsidiaries, including (i) the present and future fees and investment income earned in connection with the management of, and investments in, sponsored CDO issuers, (ii) a pledge of 18,972 shares of The Bancorp, Inc., or TBBK (NASDAQ: TBBK), common stock, and (iii) the pledge of 1,777,371 shares of RCC common stock. Availability under the facility is limited to the lesser of (a) 75% of the net present value of future management fees to be earned or (b) the maximum revolving credit facility amount. Weighted average borrowings for fiscal 2011 and 2010 were $10.1 million and $17.8 million, respectively, at a weighted average borrowing rate of 6.6% and 7.4% and an effective interest rate (inclusive of amortization of deferred issuance costs) of 10.5% and 10.7%, respectively.

The term note required monthly principal payments of $150,000 until June 2011. In June 2011, we completed the sale of a real estate asset and, as specified in the loan agreement, used $3.0 million of the proceeds to pay down principal on the term note. As a result of this paydown, the required monthly principal payments were lowered to $50,000 beginning in July 2011. Weighted average borrowings on the term note for fiscal 2011 were $1.7 million at a weighted average borrowing rate of 6.0%, and an effective interest rate (inclusive of amortization of deferred issuance costs) of 12.9%.

In February 2011, we entered into a new $3.5 million revolving credit facility with Republic First Bank. The facility bears interest at the prime rate of interest plus 1% with a floor of 4.5% and matures on December 28, 2012. The loan is secured by a pledge of 700,000 shares of RCC stock and a first priority security interest in certain real estate collateral located in Philadelphia, Pennsylvania. Availability under this facility is limited to the lesser of (a) the sum of (i) 25% of the appraised value of the real estate, based upon the most recent appraisal delivered to the bank and (ii) 100% of the cash and 75% of the market value of the pledged RCC shares held in the pledged account; and (b) 100% of the cash and 100% of the market value of the pledged RCC shares held in the pledged account. At September 30, 2011, there were no borrowings under this facility and availability was $3.2 million.

In September and October 2009, we completed a private offering to certain senior executives and shareholders with the sale of $18.8 million of 12% senior notes due in September and October 2012, or the Senior Notes, with 5-year detachable warrants to purchase 3,690,195 shares (at a weighted average exercise price of approximately $5.11 per share). The Senior Notes require quarterly payments of interest in arrears beginning December 31, 2009. The Senior Notes are unsecured, senior obligations and are junior to our existing and future secured indebtedness. We refinanced the Senior Notes in November 2011 through a partial redemption and modification. We redeemed $8.8 million of the existing notes for cash and modified $10.0 million of notes to a 9% interest rate and extended the maturity to October 2013.

Due to the November 2011 LCC Transaction and resulting deconsolidation of LEAF, the following commercial finance credit facilities that were outstanding and reflected in our consolidated balance sheet as of September 30, 2011 will no longer be included commencing with our fiscal 2012 financial statements:

- a $110.0 million secured revolving facility between Guggenheim and a wholly-owned subsidiary of LEAF;
- a $10.0 million loan to LEAF by RCC ($6.9 million was outstanding as of September 30, 2011); and
- $75.4 million of equipment contract-backed notes issued by a subsidiary of LEAF, LEAF Receivables Funding 3, LLC, or LRF3, to provide financing for leases and loans.

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### Asset Sourcing

*Real Estate.* We maintain relationships with asset owners, institutions, existing partners and borrowers, who often source investment opportunities directly to us. We maintain offices in Philadelphia, New York, Denver and El Segundo, California that provide us with a national platform of acquisition and loan origination specialists that source deals from key intermediaries such as commercial real estate brokers, mortgage brokers and specialists in selling discounted and foreclosed assets. We systematically work to exchange market data and asset knowledge across the platform to provide instant market feedback on potential investments that is based on empirical data as well as on data generated by our $1.6 billion portfolio of assets under management.

*Commercial Finance*. All commercial finance sourcing has been the responsibility of LEAF. Although LEAF will no longer be a consolidated subsidiary effective November 2011, LEAF Financial will continue to manage our four leasing partnerships through LEAF as sub-servicer.

### Employees

As of September 30, 2011, excluding our property management team, we employed 327 full-time workers, an increase of 4 from 323 employees at September 30, 2010. The following table summarizes our employees by operating segment:

| | Total | Real Estate | Financial Fund Management | Commercial Finance(1) | Corporate/ Other |
|---|---|---|---|---|---|
| **September 30, 2011** | | | | | |
| Investment professionals | 106 | 38 | 27 | 39 | 2 |
| Other | 221 | 18 | 12 | 152 | 39 |
| | 327 | 56 | 39 | 191 | 41 |
| Property management | 410 | 410 | – | – | – |
| Total | 737 | 466 | 39 | 191 | 41 |
| | | | | | |
| **September 30, 2010** | | | | | |
| Investment professionals | 101 | 32 | 30 | 37 | 2 |
| Other | 222 | 15 | 13 | 158 | 36 |
| | 323 | 47 | 43 | 195 | 38 |
| Property management | 333 | 333 | – | – | – |
| Total | 656 | 380 | 43 | 195 | 38 |

(1) As a result of the November 2011 LCC Transaction, we will no longer have any commercial finance employees.

### Operating Segments and Geographic Information

We provide operating segment and geographic information about foreign operations in Note 25 of the notes to our consolidated financial statements included in Item 8, “Financial Statements and Supplementary Data.” We provide additional narrative discussion of our operating segments in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

### Available Information

We file annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission, or SEC. Our internet address is http://www.resourceamerica.com. We make our SEC filings available free of charge on or through our internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We are not incorporating by reference in this report any material from our website.

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## ITEM 1A. RISK FACTORS.

You should carefully consider the following risks together with all of the other information contained in this report in evaluating our company. If any of these risks develop into actual events, our business, financial condition and results of operations could be materially adversely affected and the trading price of our common stock could decline.

### Risks Related to Our Business Generally

***Our business depends upon our ability to sponsor, and raise debt and equity capital for, our investment funds.***

Our business as a specialized asset manager depends upon our ability to sponsor investment funds, raise sufficient equity capital and debt financing for these funds and to generate management fees by managing these funds and the assets they hold. If we are unable to raise capital or obtain financing through these funds, we will not be able to increase our assets under management and, accordingly, increase our revenues from management fees. Moreover, because many of our investment funds have limited terms, an inability to sponsor new investment funds could result in reduced assets under management and, accordingly, reduce our management fee revenues over time. Our ability to raise capital and obtain financing through these funds depends upon numerous factors, many of which are beyond our control, including:

- existing capital markets conditions which may affect interest rates, asset valuation and pricing, our ability to exit and realize value from investments and returns on assets;
- market acceptance of the types of funds we sponsor and market perceptions about the types of assets which we seek to acquire for our funds;
- the willingness or ability of investors to invest in long-term, relatively illiquid investments of the type we sponsor;
- the performance of our existing funds relative to market performance generally and to the performance of similar types of funds;
- the availability of qualified personnel to manage our funds;
- the availability of suitable investments on acceptable terms in the types of assets and other assets that we seek to acquire for our funds; and
- interest rate changes and their effect on both the assets we seek to acquire for our funds, and the amount, cost and availability of acquisition financing.

Under current market conditions, our ability to raise equity capital from both retail and institutional investors may not be at the same levels that we have achieved historically. While we have sought to counteract this decline by sponsorship of RRE Opportunity REIT, we cannot assure you that it will succeed in doing so.

***Declines in the market values of our investments may reduce our earnings and the availability of credit.***

We classify a material portion of our assets for accounting purposes as “available-for-sale.” As a result, changes in the market values of those assets are directly charged or credited to stockholders’ equity. A decline in these values will reduce the book value of our assets. Moreover, if the decline in value of an available-for-sale asset is other-than-temporary, such decline will reduce earnings. As a result of market conditions, the market value of many of our assets has declined. We cannot assure you that there will not be further declines in the value of our assets, or that the declines will not be material.

A decline in the market value of our assets may also adversely affect us in instances where we have borrowed money based on the market value of those assets or seek new borrowings. If the market value of assets securing an existing loan declines, the lender may reduce availability (if the loan is a line of credit), require us to post additional collateral or require us to paydown the loan so that it meets specified loan to collateral value ratios. If we were unable to post the additional collateral, we could have to sell the assets under adverse market conditions which could result in losses and which could result in us failing our debt covenants. Moreover, a decline in asset values could limit our ability to obtain financing in the amounts we seek or require us to provide more collateral to secure proposed financing.

***Market changes, including changes in interest rates, may reduce the value of our assets, our returns on these assets and our ability to generate and increase our management fee revenues.***

Market changes, including changes in interest rates, will affect the market value of assets we hold for our own account and our returns from such assets. In general, as interest rates rise, the value of fixed-rate investments will decrease, while as interest rates fall, the return on variable rate assets will fall. In addition, changes in interest rates may affect the value and return on assets we manage for our investment funds, thereby affecting both our management fees from those funds

(and, in particular, any performance-based or incentive fees) as well as our ability to sponsor additional investment funds, which, in turn, may affect our ability to generate and increase our management fee revenues.

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***Increases in interest rates will increase our operating costs.***

As of September 30, 2011, excluding credit facilities related to our commercial finance operations, we had two corporate credit facilities that were subject to variable interest rates. We may seek to obtain other credit facilities depending upon capital markets conditions. Any facilities that we may be able to obtain may also be at variable rates. As a result, increases in interest rates on such credit facilities, to the extent they are with recourse to us and are not matched by increased interest rates or other income from the assets whose acquisition was financed by these facilities, or are not subject to effective hedging arrangements, will increase our interest costs, which would reduce our net income or cause us to sustain losses.

***Changes in interest rates may impair the operating results of our investment funds and thereby impair our operating results.***

The investments made by many of our funds are interest rate sensitive. As a result, changes in interest rates could reduce the value of the assets held by those funds and the returns to investors, thereby impairing our ability to raise capital (see "- Our business depends upon our ability to sponsor, and raise debt and equity capital for, our investment funds," above), reducing the management and other fees from those funds and reducing our returns on, and the value of, amounts we have invested in those funds.

***If we cannot generate sufficient cash to fund our participations in our investment funds, our ability to maintain and increase our revenues may be impaired.***

We typically participate in our investment funds along with our investors, and believe that our participation enhances our ability to raise capital from investors. We typically fund our participations through cash derived from operations or from financing. If our cash from operations is insufficient to fund our participation in future investment funds we sponsor, and we cannot arrange for financing, our continuing ability to raise funds from investors and, thus, our ability to maintain and increase the revenues we receive from fund management, will be impaired.

***Termination of management arrangements with one or more of our investment funds could harm our business.***

We provide management services to our investment funds through management agreements, through our position as the sole or managing general partner of partnership funds, through our position as the operating manager of other fund entities, or combinations thereof. Our arrangements are long-term, and frequently have no specified termination dates. However, our management arrangements with, or our position as general partner or operating manager of, an investment fund typically may be terminated by action taken by the investors. Upon any such termination, our management fees, after payment of any termination payments required, would cease, thereby reducing our expected future revenues.

***We may have difficulty managing our asset portfolios under current market conditions.***

Current market conditions have increased the complexity of managing the assets held by us and our investment funds. As a result, we depend on the ability of our officers and key employees to continue to implement and improve our operational, financial and management controls, reporting systems and procedures to deal effectively with the complexity of the conditions under which we operate. We may not be able to implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls. Consequently, we may experience strains on our administrative and operations infrastructure, increasing our costs or reducing or eliminating our profitability.

***Our allowance for credit losses may not be sufficient to cover future losses.***

At September 30, 2011, our allowance for possible credit losses was $10.5 million on receivables from managed entities, primarily representing 17.5% of the book value of the receivables from our commercial finance and real estate managed funds. We cannot assure you that these allowances will prove to be sufficient to cover future losses, or that any future provisions for credit losses that we may record will not be materially greater than those we have recorded to date. Losses that exceed our allowance for credit losses, or cause an increase in our provision for credit losses, could materially reduce our earnings.

***Many of our assets are illiquid, and we may not be able to divest them in response to changing economic, financial and investment conditions.***

Many of our assets, including those of VIEs included in our consolidated financial statements, do not have ready markets. Moreover, we believe that the market for many of these assets, particularly real estate and CDO interests, has become more limited in the past several years due to recessionary and low growth economic conditions in the United States and elsewhere. As a result, many of our portfolio assets are relatively illiquid investments. We may be unable to vary our portfolio in response to changing economic, financial and investment conditions or to sell our investments on acceptable terms should we desire or need to do so.

***We are subject to substantial competition in all aspects of our business.***

Our ability to sponsor investment funds depends upon our access to various distribution systems of national, regional and local securities firms, and our ability to locate and acquire appropriate assets for our investment funds. We are subject to substantial competition in each area. In the distribution area, our investment funds compete with those sponsored by other asset managers, which are being distributed through the same networks, as well as investments sponsored by the securities firms themselves. While we have been successful in maintaining access to these distribution channels, we cannot assure you that we will continue to do so. The inability to have continued access to our distribution channels could reduce the number of funds we sponsor and assets we manage, thereby impeding and possibly impairing our revenues and revenue growth.

In acquiring appropriate assets for our investment funds, we compete with numerous public and private investment entities, commercial banks, investment banks and other financial institutions, as well as industry participants, in each of our separate asset management areas. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Competition for desirable investments may result in higher costs and lower investment returns, and may delay our sponsorship of investment funds.

***There are few economic barriers to entry in the asset management business.***

Our investment funds compete against an ever-increasing number of investment and asset management products and services sponsored by investment banks, banks, insurance companies, financial services companies and others. There are few economic barriers to entry into the investment or asset management industries and, as a result, we expect that competition for access to distribution channels and appropriate assets to acquire will increase.

***Our ability to realize our deferred tax asset may be reduced, which may adversely impact results of operations.***

Realization of a deferred tax asset requires us to exercise significant judgment and is inherently uncertain because it requires the prediction of future occurrences. We may reduce our deferred tax asset in the future if estimates of projected income or our tax planning strategies do not support the amount of the deferred tax asset or due to unanticipated changes in future tax rates. If we determine that a valuation allowance of our deferred tax asset is necessary, we may incur a charge to earnings.

***The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") may be detrimental to our business.***

We expect that the Dodd-Frank Act will have a significant impact on the financial services industry, and may particularly impact us with respect to increased compliance costs, hedging activities, our broker-dealer operations and, possibly, our ability to obtain financing to increase our assets under management or revenues. Because much of the Dodd-Frank Act creates a framework through which regulatory reform will be promulgated, rather than providing regulatory reform itself, we cannot predict the magnitude of the effect that the Dodd-Frank Act will ultimately have on us.

***Failure to maintain adequate infrastructure could impede our productivity and growth.***

Our infrastructure, excluding our technological capacity, is important to our ability to conduct our operations. Failure to maintain an adequate infrastructure and to adapt it to growth we may achieve could harm our business operations, revenue, growth and profitability.

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## Risks Relating to Particular Aspects of Our Real Estate, Financial Fund Management and Commercial Finance Operations

***As a result of current conditions in the global credit markets, our ability to sponsor investment entities and increase our assets under management may be limited.***

Our financial fund management business historically has consisted of the sponsorship and management of CDO issuers. As a result of conditions in the global credit markets, sponsorship of new CDOs was impracticable in fiscal 2009 and 2010 and was constrained significantly in fiscal 2011. Moreover, our ability to sponsor investment funds in our commercial finance and real estate segments is significantly affected by our ability to obtain financing for the funds and the assets they acquire. Although in both fiscal 2010 and 2011 we were able to obtain financing necessary for us and our investment funds, we are aware that, in general, there has been a tightening of lending standards and a consequent reduction in credit availability. We cannot assure you that we will be able to obtain new financing or refinance existing financing in the future on acceptable financial terms, or at all. An inability to obtain financing could limit or eliminate our ability to sponsor investment entities and increase our assets under management and, accordingly, impair our ability to generate asset management fees.

***We typically have retained some portion or all of the equity in the CDOs we sponsored. CDO equity receives distributions from the CDO only if the CDO generates enough income to first pay the holders of the debt securities and the CDO's expenses.***

We typically have retained some portion or all of the equity interest in CDOs we sponsored either directly or through limited partnership investments. The equity is usually entitled to all of the income generated by the CDO after the CDO pays all of the interest due on the debt securities and its other expenses, and is entitled to a return on capital only when the principal amount and accrued interest of all of the debt securities has been paid. However, there will be little or no income available to the CDO equity if covenants regarding the operations of a CDO (primarily relating to the value of collateral and interest coverage) are not met, or if there are excessive payment defaults, payment deferrals or rating agency downgrades with respect to the issuers of the underlying collateral, and there may be little or no amounts available to return our capital. In that event, the value of our direct or indirect investment in the CDO's equity, which for all CDOs was approximately $2.4 million at September 30, 2011, could decrease substantially or be eliminated. In addition, the equity securities of CDOs are generally illiquid, and because they represent a leveraged investment in the CDO's assets, the value of the equity securities will generally have greater fluctuations than the value of the underlying collateral.

***In some of our investment funds, a portion of our management fees may depend upon the performance of the fund and, as a result, our management fee income may be volatile.***

As of September 30, 2011, a portion of our management fees is subordinated to the investors' receipt of specified returns in 14 of the CDOs we manage. In addition, with respect to RCC and nine of our investment entities, we receive incentive or subordinated compensation in addition to our base management fee, depending upon whether RCC or those partnerships achieve returns above specified levels. During fiscal 2011 and 2010, we earned incentive and subordinated management fees from RCC and from 14 and 11 CDOs, respectively, which constituted 23% and 22%, respectively, of our aggregate management fee income for both periods. The continuing recessionary condition in the national economy may result in the amount of incentive or subordinated management fee income we receive being reduced or possibly eliminated, and may cause these fees to be subject to high volatility.

***Our real estate investment funds hold loans in their portfolios that are subject to a higher risk of loss than conventional mortgage loans.***

The real estate investment funds that we have sponsored and manage, which we refer to as our RRE Funds, and from which we derive management and other fees, typically have loans in their portfolios that differ significantly from conventional mortgage loans. In particular, these loans may:

- be junior mortgage loans;
- involve payment structures other than equal periodic payments that retire a loan over its term;
- require the borrower to pay a large lump sum at loan maturity (which will depend upon the borrower's ability to obtain financing or otherwise raise a substantial amount of cash at maturity); and
- while producing income, not generate sufficient revenues to pay the full amount of debt service on the loan as originally structured.

As a result, these real estate loans may have a higher risk of default and loss than conventional mortgage loans, and may require the RRE Funds to become involved in expensive and time-consuming workouts, or bankruptcy, reorganization or foreclosure proceedings.

In addition, the principal or sole source of recovery for these real estate loans is typically the underlying property and, accordingly, the value of these loans, and the ability of the RRE Funds to collect loan payments will depend upon local, regional and national economic conditions, and conditions affecting the property specifically, including the cost of compliance with, and liability under environmental, health and safety laws, changes in interest rates and the availability of financing, casualty losses, the attractiveness of the property, the availability of tenants, the ability of tenants to pay rent, competition from similar properties in the area and neighborhood values. Operating and other expenses of real properties, particularly significant expenses such as real estate taxes, insurance and maintenance costs, generally do not decrease when revenues decrease and, even if revenues increase, operating and other expenses may increase faster than revenues. Accordingly, the revenues we derive from the RRE Funds may be negatively impacted.

***We will likely incur losses from our retention of the management of four equipment partnership funds.***

In fiscal 2010, we transferred substantially all of our commercial finance operations to LEAF and, in November 2011, as a result of the November 2011 LCC Transaction, we deconsolidated LEAF, while retaining a minority interest in it. However, we retained the obligation to manage four equipment leasing partnerships funds. In connection therewith, we have entered into a subservicing agreement with LEAF to service the leases held by these funds. Although we waived receipt of all future management fees, we are still obligated to pay subservicing fees to LEAF.

***The amount of our equity investment in LEAF following the November 2011 LCC Transaction will be reduced to the extent of LEAF's* losses.**

Following the November 2011 LCC Transaction and resulting deconsolidation of LEAF, the GAAP value of our retained interest in LEAF will be reduced by our equity in any losses subsequently incurred by LEAF. We anticipate that LEAF will initially incur losses while it ramps up that business.

## ITEM 1B. UNRESOLVED STAFF COMMENTS.

None

## ITEM 2. PROPERTIES.

**Philadelphia, Pennsylvania:**

We maintain our executive and corporate offices at One Crescent Drive in the Philadelphia Navy Yard under a lease for 13,484 square feet that expires in May 2019. Certain of our financial fund management and certain real estate operations are also located in these offices. Certain of our real estate and commercial finance operations are located in another office building at One Commerce Square, 2005 Market Street, Philadelphia, Pennsylvania under a lease for 59,448 square feet that expires in August 2013. In addition, we lease 21,554 square feet of office space at 1845 Walnut Street, Philadelphia, Pennsylvania, which is primarily sublet to Atlas Energy, L.P., an affiliated entity. This lease, which expires in May 2013, is in an office building in which we own a 5% equity interest.

**New York, New York:**

We maintain additional executive offices in a 12,930 square foot location at 712 5th Avenue, New York, New York under a lease agreement that expires in July 2020. We sublease a portion of this office space to The Bancorp, Inc.

**Other Locations:**

Our commercial finance operations own a 29,500 square foot building at 1720A Crete Street, Moberly, Missouri. In addition, we maintain various office leases in the following cities: Omaha, Nebraska; El Segundo and Tustin, California; and Denver, Colorado.

We also lease office space in London, England.

As of September 30, 2011, we believe that the properties we lease are suitable for our operations and adequate for our needs.

## ITEM 3. LEGAL PROCEEDINGS.

In September 2011, First Community Bank, or First Community, filed a complaint against First Tennessee Bank and approximately thirty other defendants – investment banks, rating agencies, collateral managers, including Trapeza Capital Management, LLC, or TCM, and issuers of CDOs, including Trapeza CDO XIII, Ltd. and Trapeza CDO XIII, Inc. The complaint includes causes of action against TCM for fraud, negligent misrepresentation, violation of the Tennessee Securities Act of 1980 and unjust enrichment. First Community alleges, among other things, that it invested in certain CDOs, that the defendant rating agencies assigned inflated investment grade ratings to the CDOs, and that the defendant investment banks, collateral managers and issuers (including Trapeza), fraudulently and/or negligently made "materially false and misleading representations and omissions" that First Community relied on in investing in the CDOs, including both written representations in offering materials and unspecified oral representations. Specifically, with respect to Trapeza, First Community alleges that it purchased $20 million of notes in the D tranche of the Trapeza CDO XIII transaction from J.P. Morgan. Trapeza believes that none of First Community's claims have merit and intends to vigorously contest this action.

We are also a party to various routine legal proceedings arising out of the ordinary course of our business. Management believes that none of these actions, individually or in the aggregate, will have a material adverse effect on our financial condition or operations.

## ITEM 4. [Removed and Reserved.]

# PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "REXI." The following table sets forth the high and low sale prices as reported by NASDAQ on a quarterly basis for our last two fiscal years:

| | As Reported | |
|---|---|---|
| | High | Low |
| Fiscal 2011 | | |
| Fourth Quarter | $ 6.25 | $ 4.39 |
| Third Quarter | $ 6.43 | $ 5.87 |
| Second Quarter | $ 7.18 | $ 6.18 |
| First Quarter | $ 6.86 | $ 5.75 |
| | | |
| Fiscal 2010 | | |
| Fourth Quarter | $ 5.68 | $ 3.59 |
| Third Quarter | $ 6.30 | $ 3.59 |
| Second Quarter | $ 5.39 | $ 3.81 |
| First Quarter | $ 5.17 | $ 3.69 |

As of December 1, 2011, there were 19,504,693 shares of common stock outstanding held by 320 holders of record.

We have paid regular quarterly cash dividends since the fourth quarter of fiscal 1995. Commencing with the dividend payable in the first quarter of fiscal 2006, we increased our quarterly dividend by 20% to $0.06 per common share and, beginning with the dividend payable in the first quarter of fiscal 2007 and continuing to the second quarter of fiscal 2009, we further increased our quarterly dividend by 17% to $0.07 per common share. In the third quarter of fiscal 2009, we reduced the dividend to $0.03 per common share, a decrease of 57%, in part due to the impact on us of the volatility and reduction in liquidity in the global credit markets. We have continued to declare a $0.03 quarterly dividend through the remainder of fiscal 2009 and for fiscal 2010 and 2011.

Until the remaining $10.0 million of outstanding Senior Notes are paid in full (due in 2013), retired or repurchased, we cannot declare or pay future quarterly cash dividends in excess of $0.03 per share without the prior approval of all the holders of the senior notes unless basic earnings per share from continuing operations from the preceding fiscal quarter exceeds $0.25 per share.

There are no restrictions imposed on the declaration of dividends under our credit facilities.

**Securities Authorized for Issuance under Equity Compensation Plans**

| Plan category | (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights | (b) Weighted-average exercise price of outstanding options, warrants and rights | (c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 2,766,337 | $8.93 | 796,148 |

**Issuer Purchases of Equity Securities**

The following table provides information about purchases by us during the quarter ended September 30, 2011 of equity securities that are registered under Section 12 of the Securities Exchange Act of 1934:

**Issuer Purchases of Equity Securities**

| Period | Total Number of Shares Purchased | Average Price Paid per Share (1) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| July 1 to July 31, 2011 | – | $ – | – | $ 20,000,000 |
| August 1 to August 31, 2011 | – | $ – | – | $ 20,000,000 |
| September 1 to September 30, 2011 | 51,600 | $ 4.67 | 51,600 | $ 19,759,000 |
| Total | 51,600 | $ 4.67 | 51,600 | |

(1) The average price per share as reflected above includes broker fees/commissions.

In December 2010, the Board of Directors approved a new share repurchase program under which we may buy up to $20.0 million of our outstanding common stock. Through December 1, 2011, we have repurchased a total of 207,889 shares at an aggregate cost of $1.0 million (or an average cost of $4.73 per share) under this program. In December 2010, the Board of Directors also terminated the previous share repurchase program.

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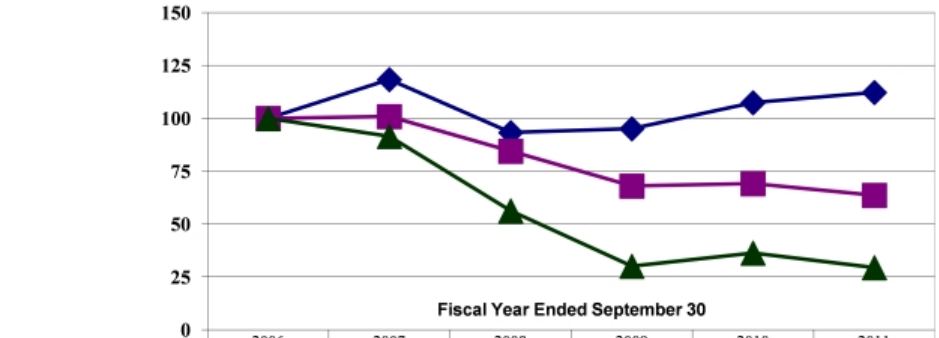
## Performance Graph

The following graph assumes that $100 was invested on October 1, 2006 in our common stock, or in the indicated index, and that all cash dividends were reinvested as received. The cumulative total stockholder return on our common stock is then compared with the cumulative total return of two other stock market indices, the NASDAQ United States Composite and the NASDAQ Financial 100.

**Comparison of Five Year Cumulative Total Return***




| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| Nasdaq U.S. composite | 100.00 | 118.37 | 93.33 | 95.07 | 107.44 | 112.25 |
| Nasdaq Financial 100 | 100.00 | 100.91 | 84.47 | 68.08 | 69.12 | 63.68 |
| Resource America, Inc. | 100.00 | 91.50 | 56.31 | 30.11 | 36.30 | 29.44 |

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## ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial data should be read together with our consolidated financial statements, the notes to our consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report. We derived the selected consolidated financial data for each of the fiscal years ended September 30, 2011, 2010 and 2009, and as of September 30, 2011 and 2010 from our consolidated financial statements appearing elsewhere in this report, which have been audited by Grant Thornton LLP, an independent registered public accounting firm. We derived the selected financial data for the fiscal years ended September 30, 2008 and 2007 and as of September 30, 2009, 2008 and 2007 from our consolidated internal financial statements for those periods. The following table sets forth selected operating and balance sheet data (in thousands, except per share data):

| | As of and for the Years Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| **Statement of operations data:** | | | | | |
| Revenues: | | | | | |
| Real estate | $ 38,380 | $ 31,911 | $ 25,417 | $ 31,519 | $ 22,987 |
| Financial fund management | 25,841 | 33,140 | 33,344 | 27,536 | 63,089 |
| Commercial finance | 21,795 | 23,677 | 48,767 | 93,016 | 40,124 |
| Total revenues | $ 86,016 | $ 88,728 | $ 107,528 | $ 152,071 | $ 126,200 |
| (Loss) income from continuing operations | $ (5,227) | $ (17,297) | $ (16,090) | $ (29,949) | $ 7,211 |
| (Loss) income from discontinued operations, net of tax | (2,202) | 622 | (444) | (1,299) | (1,558) |
| Net (loss) income | (7,429) | (16,675) | (16,534) | (31,248) | 5,653 |
| Less: Net (income) loss attributable to noncontrolling interests | (799) | 3,224 | 1,603 | 5,005 | (1,957) |
| Net (loss) income attributable to common shareholders | $ (8,228) | $ (13,451) | $ (14,931) | $ (26,243) | $ 3,696 |
| | | | | | |
| **Basic (loss) earnings per share attributable to common shareholders:** | | | | | |
| Continuing operations | $ (0.31) | $ (0.74) | $ (0.78) | $ (1.40) | $ 0.30 |
| Discontinued operations | (0.11) | 0.03 | (0.03) | (0.07) | (0.09) |
| Net (loss) income | $ (0.42) | $ (0.71) | $ (0.81) | $ (1.47) | $ 0.21 |
| | | | | | |
| **Diluted (loss) earnings per share attributable to common shareholders:** | | | | | |
| Continuing operations | $ (0.31) | $ (0.74) | $ (0.78) | $ (1.40) | $ 0.27 |
| Discontinued operations | (0.11) | 0.03 | (0.03) | (0.07) | (0.08) |
| Net (loss) income | $ (0.42) | $ (0.71) | $ (0.81) | $ (1.47) | $ 0.19 |
| | | | | | |
| **Dividends declared per common share** | $ 0.12 | $ 0.09 | $ 0.20 | $ 0.28 | $ 0.27 |
| | | | | | |
| **Amounts attributable to common shareholders:** | | | | | |
| (Loss) income from continuing operations | $ (6,026) | $ (14,073) | $ (14,487) | $ (24,944) | $ 5,254 |
| Discontinued operations | (2,202) | 622 | (444) | (1,299) | (1,558) |
| Net (loss) income | $ (8,228) | $ (13,451) | $ (14,931) | $ (26,243) | $ 3,696 |
| | | | | | |
| **Balance sheet data:** | | | | | |
| Total assets | $ 422,506 | $ 233,842 | $ 373,794 | $ 757,297 | $ 955,328 |
| Borrowings | $ 222,659 | $ 66,110 | $ 191,383 | $ 554,059 | $ 706,372 |
| Total equity | $ 157,728 | $ 129,084 | $ 140,141 | $ 146,343 | $ 191,918 |

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## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### Overview

We are a specialized asset management company that uses industry specific expertise to evaluate, originate, service and manage investment opportunities through our real estate, commercial finance and financial fund management sectors. As a specialized asset manager, we seek to develop investment funds for outside investors for which we provide asset management services, typically under long-term management arrangements either through a contract with, or as the manager or general partner of, our sponsored investment funds. We typically maintain an investment in the funds we sponsor. Assets under management have grown from $7.1 billion at September 30, 2005 to $13.3 billion at September 30, 2011.

We limit our fund development and management services to asset classes where we own existing operating companies or have specific expertise. We believe this strategy enhances the return on investment we can achieve for our funds. In our real estate operations, we concentrate on the ownership, operation and management of multifamily and commercial real estate and real estate mortgage loans including whole mortgage loans, first priority interests in commercial mortgage loans, known as A notes, subordinated interests in first mortgage loans, known as B notes, mezzanine loans, investments in discounted and distressed real estate loans and investments in "value-added" properties (properties which, although not distressed, need substantial improvements to reach their full investment potential). In our commercial finance operations, we focus on originating small and middle-ticket equipment leases and commercial loans secured by business-essential equipment, including technology, commercial and industrial equipment and medical equipment. In our financial fund management operations, we concentrate on trust preferred securities of banks, bank holding companies, insurance companies and other financial companies, bank loans and ABS.

As a specialized asset manager, we are affected by conditions in the financial markets and, in particular, the continued volatility and reduced liquidity in the global credit markets which have reduced our revenues from, and the values of, many of the types of financial assets which we manage or own and have reduced our ability to access debt financing for our operations.

In our real estate segment, we have focused our efforts primarily on acquiring and managing a diversified portfolio of commercial real estate and real estate related debt that has been significantly discounted due to the effects of current economic conditions and high levels of leverage. We expect to continue to expand this business by raising investor funds through our retail broker channel for investment programs, principally through RRE Opportunity REIT. We also continue to monetize our legacy real estate portfolio. In conjunction with the June 2011 sale by the owner of a building in Washington, DC in which we owned a 25% interest, we received net proceeds of $17.4 million (including $800,000 that was released from escrow in October 2011) and recorded a gain on our investment of $8.4 million.

In January 2011, we contributed the leasing origination and servicing business platform of LEAF Financial into LEAF to facilitate outside investment into the leasing business platform. LEAF will continue its focus on underwriting and originating small ticket and middle ticket equipment leases and commercial loan contracts. LEAF Financial will continue the asset management business by managing our commercial finance leasing partnerships. In the formation of LEAF, Resource Capital Corp. (NYSE: RSO), or RCC, invested $36.2 million of capital in the form of preferred stock. A portion of RCC's investment consisted of the contribution of the leases and loans it had previously acquired from LEAF Financial. In addition, Guggenheim Securities, LLC, or Guggenheim, arranged a new financing facility for LEAF of up to $200.0 million in revolving senior debt to fund new originations. In conjunction with the contribution of the RCC portfolio, LEAF Financial reversed the servicing and repurchase liabilities it recorded in fiscal 2010 on certain lease and loan sales to RCC, and recognized a gain of $4.4 million.

Subsequent to our fiscal year end, on November 16, 2011, we obtained an additional outside investment in LEAF by a third-party private equity firm. As a result of that investment, our equity interest in LEAF is 15.7% on a fully diluted basis. Accordingly, we determined that we no longer control LEAF and, effective with that investment, we have deconsolidated it for financial reporting purposes. On a go-forward basis, we will reflect our investment in LEAF on the equity method basis of accounting.

Since fiscal 2010, we have waived our management fees from our four sponsored and managed commercial finance investment funds due to their reduced equity distributions to their partners caused by the impact of the recession on the cash flow of these entities. For fiscal 2011 and 2010, we have waived $8.1 million and $3.8 million, respectively, in fees. We have waived all future management fees, which will reduce our revenues and adversely affect our profitability. In addition, we recognized a $7.2 million and $1.9 million provision for credit losses on the receivables due from these entities for fiscal 2011 and 2010, respectively.

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In our financial fund management segment, we continue to manage and receive fees from the collateralized debt obligation, or CDO, issuers that we had previously formed and sponsored. In fiscal 2012, we expect to continue to focus on managing our existing assets and, to the extent market conditions permit, expand our CLO business. In October 2011, on behalf of RCC, we closed Apidos CLO VIII, a $317.6 million CLO, for which we will receive asset management fees in the future. In February 2011, we entered into a services agreement with a subsidiary of RCC to provide subadvisory collateral management and administration services for five CDO issuers invested primarily in bank loans whose management contracts RCC had acquired. This increased our assets under management by $1.7 billion. In December 2010, we completed the sale of our management contract and equity investment in Resource Europe CLO I, or REM I, for $11.1 million and recognized a net gain of $5.1 million.

In connection with the sale of a real estate loan in March 2006, we agreed that, in exchange for the current property owner relinquishing certain control rights, we would make payments to the owner under certain circumstances as stipulated in the sale agreement. In March 2011, a triggering event as specified in the agreement occurred and, accordingly, we recorded a $3.4 million liability for the present value of the payments due to the property owner and reflected the charge to discontinued operations.

The net loss attributable to common for fiscal 2011 was primarily driven by LEAF's losses and the impairment of our receivables from the commercial finance managed entities. Accordingly, we recorded a net loss attributable to common shareholders of $8.2 million in fiscal 2011 as compared to net losses attributable to common shareholders of $13.5 million and $14.9 million for fiscal 2010 and 2009, respectively.

**Assets Under Management**

We increased our assets under management by $860.0 million to $13.3 billion at September 30, 2011 from $12.4 billion at September 30, 2010. The following table sets forth information relating to our assets under management by operating segment (in millions, except percentages) (1):

| | September 30, | | Increase (Decrease) | |
|---|---|---|---|---|
| | 2011 | 2010 | Amount | Percentage |
| Financial fund management | $ 11,102 | $ 10,009 | $ 1,093 (2) | 11% |
| Real estate | 1,617 | 1,557 | 60 | 4% |
| Commercial finance | 585 | 878 | (293) (3) | (33)% |
| | $ 13,304 | $ 12,444 | $ 860 | 7% |

(1) For information on how we calculate assets under management, see the first table and related notes in Item 1, "Business - Assets Under Management".

(2) Increase primarily related to subadvisory agreement with RCC ($1.7 billion), the awarding of the management contract for an existing CDO issuer with $216.6 million of assets, and a $182.8 million increase in bank loans managed for RCC while Apidos VIII is in its warehouse period. These increases were offset, in part, primarily by the following: (i) the sale of our collateral management rights and responsibilities with respect to REM I ($411.1 million) in December 2010 and (ii) a decrease in the eligible collateral bases of our ABS ($329.8 million) and trust preferred portfolios ($322.9 million) resulting from defaults, paydowns, sales and calls.

(3) Reduction primarily reflects the decrease in new originations and paydowns of existing leases and loans.

Our assets under management are primarily managed through various investment entities including CDOs, public and private limited partnerships, TIC property interest programs, two REITs, and other investment funds. The following table sets forth the number of entities we manage by operating segment:

| | CDOs | Limited Partnerships | TIC Programs | Other Investment Funds |
|---|---|---|---|---|
| **As of September 30, 2011** (1) | | | | |
| Financial fund management | 37 | 13 | – | 1 |
| Real estate | 2 | 8 | 6 | 5 |
| Commercial finance | – | 4 | – | 2 |
| | 39 | 25 | 6 | 8 |
| **As of September 30, 2010** (1) | | | | |
| Financial fund management | 32 | 13 | – | – |
| Real estate | 2 | 8 | 7 | 4 |
| Commercial finance | – | 4 | – | 1 |
| | 34 | 25 | 7 | 5 |

(1) All of our operating segments manage assets on behalf of RCC.

The revenues in each of our operating segments are generated by the fees we earn for structuring and managing the investment entities we sponsored on behalf of individual and institutional investors and RCC, and the income produced by the assets and investments we manage for our own account. The following table sets forth information about our revenue sources (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Fund management revenues (1) | $ 43,521 | $ 51,411 | $ 57,588 |
| Finance and rental revenues (2) | 27,738 | 20,281 | 38,491 |
| RCC management fees | 11,496 | 10,649 | 7,357 |
| Gains on resolution of loans (3) | 196 | 2,870 | 1,030 |
| Other revenues (4) | 3,065 | 3,517 | 3,062 |
| | $ 86,016 | $ 88,728 | $ 107,528 |

(1) Includes fees from each of our real estate, financial fund management and commercial finance operations and our share of the income or loss from limited and general partnership interests we own in our real estate, financial fund management and commercial finance operations.

(2) Includes accreted discount income from our real estate operations and revenues from certain real estate assets, interest and rental income from our commercial finance operations and interest income on bank loans from our financial fund management operations.

(3) Includes the resolution of loans we hold in our real estate segment.

(4) Includes primarily insurance fees, documentation fees and other charges from our commercial finance operations and, for fiscal 2010, included a break-up fee related to an unsuccessful bank transaction for our financial fund management operations.

We provide a more detailed discussion of the revenues generated by each of our business segments under "-Results of Operations: ":Real Estate", ":Financial Fund Management", and ":Commercial Finance."

**Results of Operations: Real Estate**

During fiscal 2011, we continued to redirect the focus of our real estate subsidiary, Resource Real Estate, Inc., from acquiring and managing performing multifamily assets to (a) acquiring and managing a diversified portfolio of commercial real estate and real estate related debt that have been significantly discounted due to the effects of economic events and high levels of leverage and (b) managing existing assets for our real estate programs. We formed RRE Opportunity REIT, which will further invest in discounted commercial real estate and real estate related debt. The public offering for this fund commenced in June 2010. Through September 30, 2011, RRE Opportunity REIT raised $64.1 million through its public and private offerings, acquired one property and eight notes, foreclosed on three loans, and has received a discounted settlement payment on one loan. For fiscal 2012, we expect that our primary fundraising efforts will be focused on RRE Opportunity REIT.

Through our real estate segment, we focus on four different areas:

- the acquisition, ownership and management of portfolios of discounted real estate and real estate related debt, which we have acquired through two sponsored real estate investment entities as well as through joint ventures with institutional investors;
- the sponsorship and management of real estate investment entities that principally invest in multifamily housing;
- the management, principally for RCC, of general investments in commercial real estate debt, including first mortgage debt, whole loans, mortgage participations, B notes, mezzanine debt and related commercial real estate securities; and
- to a significantly lesser extent, the management and resolution of a portfolio of real estate loans and property interests that we acquired at various times between 1991 and 1999, which we collectively refer to as our legacy portfolio.

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The following table sets forth information related to real estate assets managed (1) (in millions):

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| **Assets under management** (1): | | |
| Commercial real estate debt | $ 760 | $ 761 |
| Real estate investment funds and programs | 566 | 566 |
| Distressed portfolios | 161 | 149 |
| Properties managed for RCC | 60 | – |
| RRE Opportunity REIT | 36 | – |
| Institutional portfolios | 15 | 51 |
| Legacy portfolio | 19 | 30 |
| | $ 1,617 | $ 1,557 |

(1) For information on how we calculate assets under management, see Item 1, "Business − "Assets under Management."

We support our real estate investment funds by making long-term investments in them. In addition, from time to time, we make bridge investments in the funds to facilitate acquisitions. We record losses on these equity method investments primarily as a result of depreciation and amortization expense recorded by the property interests. As additional investors are admitted to the funds, we sell our bridge investment back to our funds at our original cost and recognize a gain approximately equal to the previously recognized loss. Fee income can be highly variable and, for fiscal 2012, fee income will depend upon the success of the RRE Opportunity REIT and the timing of its acquisitions.

The following table sets forth information relating to the revenues recognized and costs and expenses incurred in our real estate operations (in thousands):

| | Years Ended September 30, 2011 | 2010 | 2009 |
|---|---|---|---|
| Revenues: | | | |
| Management fees: | | | |
| Asset management fees | $ 6,435 | $ 4,842 | $ 3,935 |
| Resource Residential property management fees | 6,063 | 5,296 | 4,362 |
| REIT management fees from RCC | 6,706 | 7,775 | 5,321 |
| | 19,204 | 17,913 | 13,618 |
| Other revenues: | | | |
| Master lease revenues | 4,080 | 4,002 | 3,994 |
| Rental property income and revenues of consolidated VIEs (1) | 4,761 | 4,644 | 5,014 |
| Fee income from sponsorship of investment entities | 2,034 | 1,500 | 1,929 |
| Interest, including accreted loan discount | – | 113 | 492 |
| Gains and fees on resolution of loans and other property interests | 196 | 2,870 | 1,030 |
| Equity in earnings (losses) of unconsolidated entities | 8,105 | 869 | (660) |
| | $ 38,380 | $ 31,911 | $ 25,417 |
| Cost and expenses: | | | |
| General and administrative expenses | $ 10,515 | $ 7,718 | $ 9,276 |
| Resource Residential expenses | 6,076 | 4,870 | 4,459 |
| Master lease expenses | 4,448 | 4,791 | 4,577 |
| Rental property expenses and expenses of consolidated VIEs (1) | 3,426 | 3,401 | 3,726 |
| | $ 24,465 | $ 20,780 | $ 22,038 |

(1) We generally consolidate a variable interest entity, or VIE, when we are deemed to be the primary beneficiary of the entity.

***Revenues − Fiscal 2011 Compared to Fiscal 2010***

Revenues from our real estate operations increased $6.5 million (20%) to $38.4 million for fiscal 2011 from $31.9 million in fiscal 2010. We attribute the increase primarily to the following:

Management fees

- a $1.6 million increase in asset management fees, reflecting the additional properties in our distressed loan portfolio; and
- a $767,000 increase in property management fees earned by our property manager, Resource Residential, reflecting a 1,695 unit increase (13%) in multifamily units under management to 15,217 units at September 30, 2011 from 13,522 units at September 30, 2010.

These increases were offset, in part, by

- a $1.1 million decrease in REIT management fees from RCC. We receive a quarterly base management fee calculated on RCC's equity capital. Additionally, we earn an incentive management fee based on the adjusted operating earnings of RCC, which varies by quarter. The $1.6 million increase in the base management fee, which increased as a result of equity capital raised though RCC's dividend reinvestment and share purchase program, was more than offset by a $2.6 million decrease in the incentive management fee for fiscal 2011 as compared to fiscal 2010.

Other revenues

- a $534,000 increase in fee income in connection with the purchase and third-party financing of property through our real estate investment entities. During fiscal 2011, we earned $2.0 million in fees, primarily $939,000 from the acquisition of seven loans and a pool of four loans (aggregate purchase price of $71.3 million), $484,000 from the acquisition of two properties purchased on behalf of RCC, $403,000 from the sale of buildings owned by two of our equity investments, and $170,000 from the sale of buildings we manage. During fiscal 2010, we earned $1.5 million in fees from acquiring six notes (aggregate purchase price of $81.1 million and four properties (aggregate purchase price of $19.3 million); and

- a $7.2 million increase in the equity in earnings of unconsolidated entities. During fiscal 2011, we recorded an $8.4 million equity gain from the sale of a Washington DC office building by one of our legacy portfolio investments, which was offset, in part, by the equity losses from our real estate investment partnerships of $755,000, as compared to equity losses of $624,000 recorded the prior year.

These increases were offset, in part, by

- a $2.7 million decrease in gains and fees on the resolution of loans and other property interests. During fiscal 2010, we recorded a gain of $1.9 million (proceeds of $4.8 million) on the settlement of a loan, a gain of $642,000 on the sale of an asset by a joint venture, and a gain of $145,000 from another asset sale (proceeds of $260,000). Additionally, we received proceeds of $2.1 million, including a cost reimbursement of $101,000, from the sale of a joint venture interest to RCC.

***Costs and Expenses − Fiscal 2011 Compared to Fiscal 2010***

Costs and expenses of our real estate operations increased $3.7 million (18%). We attribute these changes primarily to the following:

- a $2.8 million increase in general and administrative expenses related principally to the start-up costs of RRE Opportunity REIT; and

- a $1.2 million increase in Resource Residential expenses due to increased wages and benefits, principally in conjunction with the additional personnel needed to operate and manage the increase in properties.

***Revenues − Fiscal 2010 Compared to Fiscal 2009***

Revenues from our real estate operations increased $6.5 million (26%) to $31.9 million for fiscal 2010 from $25.4 million in fiscal 2009. We attribute the increase primarily to the following:

Management fees:

- a $907,000 increase in asset management fees due to an increase in equity deployed in properties in our investment entities, primarily the assets acquired by Resource Real Estate Opportunity Fund, L.P.

- a $934,000 increase in property management fees earned by Resource Residential, reflecting the 728 unit increase (6%) in multifamily units under management to 13,522 units at September 30, 2010 from 12,794 at September 30, 2009; and

- a $2.5 million increase in REIT management fees from RCC as a result of an increase in incentive management fees and in equity capital (upon which our base management fee is calculated) resulting from RCC's success in raising capital through common stock offerings.

Other revenues:

- a $429,000 decrease in fee income in connection with the purchase and third-party financing of property through our real estate investment entities. During fiscal 2010, we earned fees from the acquisition of six distressed notes for $81.1 million and four property acquisitions with an aggregate purchase price of $19.3 million, as compared to the acquisition of seven properties with an aggregate purchase price of $62.7 million during fiscal 2009. Since we do not place financing on our distressed note acquisitions, the decrease is

primarily attributable to the reduction in debt placement fees for the properties we acquired in fiscal 2010 as compared to fiscal 2009;

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- a $370,000 decrease in rental property income and revenues of consolidated VIEs due to the sale of a consolidated VIE interest in January 2010;
- a $379,000 decrease in interest income attributable to the payoff of one loan in June 2010 (book value of $2.8 million);
- a $1.8 million increase in gains and fees on the resolution of loans and other property interests. During fiscal 2010, we recorded a gain of $1.9 million (proceeds of $4.8 million) on the settlement of one loan. We also received proceeds of $2.1 million, including a cost reimbursement of $101,000, from the sale of a joint venture interest to RCC and recorded a gain of $145,000 from another asset sale (proceeds of $260,000). In addition, we recorded a gain of $642,000 (proceeds of $642,000) from the sale of an asset by a joint venture; and
- a $1.5 million increase in equity earnings primarily reflecting a $700,000 increase due to a favorable change in an interest rate swap held by one of our investment entities and a $500,000 increase in income in the underlying investment held by another entity, reflecting primarily increased rental income and lease termination fees.

***Costs and Expenses − Fiscal 2010 Compared to Fiscal 2009***

Costs and expenses of our real estate operations decreased $1.3 million (6%) to $20.8 million for fiscal 2010 from $22.0 million for fiscal 2009. We attribute the decrease primarily to the following:

- a $1.6 million decrease in general and administrative expenses, primarily reflecting the $1.5 million allocation of wages and benefits to RRE Opportunity REIT; and
- a $325,000 decrease in rental property expenses and consolidated VIE expenses due to the sale of our interests in a consolidated VIE entity which held a property.

**Results of Operations: Financial Fund Management**

*General*. We conduct our financial fund management operations principally through six separate operating entities:

- Apidos - finances, structures and manages investments in bank loans, high yield bonds and equity investments through CDO issuers, managed accounts and a credit opportunities fund;
- Trapeza - originates, structures, finances and manages investments in trust preferred securities and senior debt securities of banks, bank holding companies, insurance companies and other financial companies through CDO issuers and related partnerships;
- RFIG - serves as the general partner for seven company-sponsored affiliated partnerships which invest in financial institutions;
- Ischus - finances, structures and manages investments in asset-backed securities, or ABS, including residential mortgage-backed securities, or RMBS, and commercial mortgage-backed securities, or CMBS;
- Resource Capital Markets - through Resource Securities, acts as an agent in the primary and secondary markets for structured finance securities and manages accounts for institutional investors; and
- RCM - provides investment management and administrative services to RCC under a management agreement between us, RCM and RCC.

The following table sets forth information relating to assets managed by our financial fund management operating entities on behalf of institutional and individual investors and RCC (in millions) (1):

| | Institutional and Individual Investors | RCC | Total by Type |
|---|---|---|---|
| **Year Ended September 30, 2011:** | | | |
| Trapeza | $ 3,890 | $ – | $ 3,890 |
| Apidos (2) | 2,704 | 2,814 | 5,518 |
| Ischus | 1,576 | – | 1,576 |
| Other company-sponsored partnerships | 87 | 31 | 118 |
| | $ 8,257 | $ 2,845 | $ 11,102 |
| **Year Ended September 30, 2010:** | | | |
| Trapeza | $ 4,213 | $ – | $ 4,213 |
| Apidos | 2,672 | 954 | 3,626 |
| Ischus | 1,689 | – | 1,689 |
| Resource Europe(3) | 411 | – | 411 |
| Other company-sponsored partnerships | 70 | – | 70 |
| | $ 9,055 | $ 954 | $ 10,009 |

(1) For information on how we calculate assets under management, see the first table and related notes in Item 1, “Business – Assets Under Management”.

(2) In February 2011, we entered into a services agreement to provide subadvisory collateral management and administration services for five CDO issuers managed by RCC. Also includes $182.8 million in bank loans managed for RCC while Apidos VIII accumulates assets.

(3) In December 2010, we completed the sale of our management contract for REM I, assigned our collateral management rights and responsibilities and reduced our assets under management by $411.1 million.

In our financial fund management operating segment, we earn monthly fees on assets managed on behalf of institutional and individual investors as follows:

- *Collateral management fees* − we receive fees for managing the assets held by CDO issuers we have sponsored, including subordinate and incentive fees. These fees vary by CDO issuer, with our annual fees ranging between 0.05% and 0.50% of the aggregate principal balance of the eligible collateral owned by the CDO issuers. CDO indentures require that certain overcollateralization test ratios, or O/C ratios, be maintained. O/C ratios measure the ratio of assets (collateral) to liabilities (notes) of a given CDO issuer. Losses incurred on collateral due to payment defaults, payment deferrals or rating agency downgrades reduce the O/C ratios. If specified O/C ratios are not met by a CDO, subordinate or incentive management fees, which are discussed in the following sections, are deferred and interest collections from collateral are applied to outstanding principal balances on the CDO notes.

- *Administration fees* − we receive fees for managing the assets held by our company-sponsored partnerships and credit opportunities fund. These fees vary by limited partnership or fund, with our annual fee ranging between 0.75% and 2.00% of the partnership or fund capital balance.

Based on the terms of our general partner interests, two of the Trapeza partnerships we manage as general partner include a clawback provision.

We discuss the basis for our fees and revenues for each area in more detail in the following sections.

Our financial fund management operations historically have depended upon our ability to sponsor CDO issuers and sell their CDOs. In fiscal 2012, we expect to continue to focus on managing our existing assets and, as and to the extent market conditions permit, expand our CLO business. Accordingly, we expect that the management fee revenues in this segment of our operations will remain stable. For risks applicable to our financial fund management operations, see our Item 1A “Risk Factors – Risks Relating to Particular Aspects of our Financial Fund Management, Real Estate and Commercial Finance Operations.”

### *Apidos*

We sponsored, structured and/or currently manage 16 CDO issuers for institutional and individual investors and RCC which hold approximately $5.5 billion in bank loans at September 30, 2011, of which $2.8 million are managed on behalf of RCC through eight CDO issuers. In February 2011, we entered into a services agreement with a subsidiary of RCC to provide subadvisory collateral management and administration services for five CDO issuers which hold approximately $1.7 billion in bank loans. We previously sponsored, structured and managed one CDO issuer holding international bank loans. In December 2010, we completed the sale of our management contract for this CDO issuer.

We derive revenues from our Apidos operations through base and subordinate management fees. Base management fees vary by CDO issuer, but range from between 0.01% and 0.15% of the aggregate principal balance of eligible collateral held by the CDO issuers. Subordinate management fees vary by CDO issuer, but range from between 0.04% and 0.40% of the aggregate principal balance of eligible collateral held by the CDO issuers, all of which are subordinated to debt service payments on the CDOs. We are also entitled to receive incentive management fees; however, we did not receive any such fees in fiscal 2010 or 2011. Incentive management fees are subordinated to debt service payments on the CDOs.

### *Trapeza*

We sponsored, structured and currently co-manage 13 CDO issuers holding approximately $3.9 billion in trust preferred securities of banks, bank holding companies, insurance companies and other financial companies.

We own a 50% interest in an entity that manages 11 Trapeza CDO issuers and a 33.33% interest in another entity that manages two Trapeza CDO issuers. We also own a 50% interest in the general partners of the limited partnerships that own the equity interests of five Trapeza CDO issuers. Additionally, we have invested as a limited partner in each of these limited partnerships. On November 1, 2009 and January 28, 2010, those general partners repurchased substantially all of the remaining limited partnership interests in two of the Trapeza entities.

We derive revenues from our Trapeza operations through base management fees. Base management fees vary by CDO issuer, but range from between 0.10% and 0.25% of the aggregate principal balance of the eligible collateral held by the CDO issuers. These fees are shared with our co-sponsors.

### *Company-Sponsored Partnerships*

We sponsored, structured and, through RFIG, currently manage seven affiliated partnerships for individual and institutional investors, which hold approximately $57.1 million of investments in financial institutions. We derive revenues from these operations through annual management fees, based on 2.0% of equity. We also have invested as a general and limited partner in these partnerships. We may receive a carried interest of up to 20% upon meeting specific investor return rates.

Since March 2009, we have sponsored and managed an affiliated partnership organized as a credit opportunities fund which holds approximately $29.7 million in bank loans, high yield bonds and uninvested capital. We have invested as a general and limited partner in this partnership. We derive revenues from this partnership through base and incentive management fees. Base management fees are calculated at 1.5% of the partnership's net assets and are payable quarterly in advance. Incentive management fees are calculated annually at 20% of the partnership's annual net profits, but are subject to a loss carryforward provision and an investor hurdle rate.

### *Ischus*

We sponsored, structured and/or currently manage eight CDO issuers for institutional and individual investors, which hold approximately $1.6 billion in primarily real estate ABS including RMBS, CMBS and credit default swaps.

We derive revenues from our Ischus operations through base management fees. Base management fees vary by CDO issuer, ranging from between 0.10% and 0.20% of the aggregate principal balance of eligible collateral held by the CDO issuer.

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The following table sets forth certain information relating to the revenues recognized and costs and expenses incurred in our financial fund management operations (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Revenues: | | | |
| Fund management fees | $ 15,601 | $ 16,419 | $ 18,764 |
| RCC management fees | 4,748 | 2,718 | 1,909 |
| Introductory agent fees | 4,538 | 7,713 | 5,166 |
| Earnings from unconsolidated CDOs | 948 | 2,118 | 1,610 |
| Interest income on loans | – | 860 | 6,017 |
| Other | 7 | 838 | 212 |
| | 25,842 | 30,666 | 33,678 |
| | | | |
| Limited and general partner interests: | | | |
| Fair value adjustments | (2) | 2,490 | (266) |
| Operations | 1 | (16) | (68) |
| Total limited and general partner interests | (1) | 2,474 | (334) |
| | $ 25,841 | $ 33,140 | $ 33,344 |
| | | | |
| Costs and expenses: | | | |
| General and administrative | $ 20,562 | $ 20,799 | $ 20,399 |
| Other | – | 229 | 69 |
| | $ 20,562 | $ 21,028 | $ 20,468 |

Fees and/or reimbursements that we receive vary by transaction and, accordingly, there may be significant variations in the revenues we recognize from our financial fund management operations from period to period.

***Revenues − Fiscal 2011 Compared to Fiscal 2010***

Revenues decreased $7.3 million (22%) to $25.8 million in fiscal 2011 from $33.1 million in fiscal 2010. We attribute the decrease to the following:

- an $818,000 decrease in fund management fees, principally from the following:
  - a $2.3 million decrease in collateral management fees from REM I. In December 2010, we sold the management contract of this CDO issuer and transferred all collateral management rights and responsibilities to an unaffiliated third party. As a result of this transaction, we no longer record any fees from REM I;
  - a $316,000 decrease in collateral management fees from our Ischus operations primarily as a result of rating agency downgrades which had the effect of reducing the eligible collateral base upon which our management fees are calculated;
  - a $122,000 decrease in management and incentive fees earned on separate managed accounts. We earned management and incentive fees of $393,000 and $515,000 for fiscal 2011 and 2010, respectively. Fees earned in fiscal 2010 include $484,000 of management and incentive fees earned on a separate account we no longer manage; and
  - a $113,000 decrease in base management fees from our Trapeza operations, primarily as a result of portfolio defaults which reduced the eligible collateral base upon which our management fees are calculated.

  These decreases were partially offset by:
  - a $788,000 increase in collateral management fees earned in connection with a services agreement. In February 2011, we entered into a services agreement with RCC to provide subadvisory collateral management and administrative services for five CDO issuers invested in bank loans;
  - a $678,000 increase in management fees earned for the credit opportunities fund we manage, primarily from a $475,000 increase in incentive fees earned based on exceeding certain investor return hurdles;
  - a $297,000 increase in advisory fees earned in connection with a consulting agreement. In September 2010, we entered into a consulting agreement with a third party to provide advisory services for a CDO issuer; and

– a $241,000 decrease in our share of expenses for the management of TCM and Trapeza Management Group, LLC, primarily due to a decrease in legal fees, which increased the net fees we received.

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- a $2.0 million increase in RCC management fees primarily due to an increase in incentive management fees. Incentive management fees for fiscal 2011 included a $2.9 million fee earned by Resource Capital Markets for managing a trading portfolio on behalf of RCC as compared to $438,000 in fiscal 2010. This increase was partially offset by a $772,000 decrease in incentive management fees earned by our Apidos operations during fiscal 2011;
- a $3.2 million decrease in introductory agent fees as a result of fees earned in connection with 125 structured security transactions with an average fee of $36,000 for fiscal 2011 as compared to 103 structured security transactions with an average fee of $75,000 for fiscal 2010;
- a $1.2 million net decrease in earnings from five unconsolidated CDO issuers invested in bank loans we previously sponsored and manage. In March 2010, we sold one of our CDO equity investments and in June 2010, we sold the majority of our interest in another CDO equity investment;
- an $860,000 decrease in interest income on loans due to the recovery of excess interest spread earned on loan assets accumulating during the warehouse period of the European CDO issuer we previously managed; and
- an $831,000 decrease in other income, primarily related to an $800,000 break-up fee received in connection with an unsuccessful bank transaction to reimburse us in fiscal 2010 for expenses related to the transaction. We did not receive any such fee in fiscal 2011 nor do we anticipate receiving such fees in the future; and
- a $2.5 million decrease in adjustments recorded relative to our limited and general partner interests:
  - during fiscal 2010, we (along with the co-manager of the general partners), repurchased substantially all the remaining limited partner interests in two Trapeza partnerships that reduced our clawback liability for which we recorded a gain of $2.3 million. There were no repurchases in fiscal 2011; and
  - during fiscal 2011 and 2010, we recorded ($2,000) and $229,000, respectively, in realized and unrealized fair value adjustments in the book value of securities we held in unconsolidated other company-sponsored partnerships.

***Costs and Expenses − Fiscal 2011 Compared to Fiscal 2010***

Costs and expenses of our financial fund management operations decreased $466,000 (2%) in fiscal 2011. This decrease was principally due to a $1.9 million decrease in commissions on structured security transactions, a $1.2 million decrease in legal and consulting fees and a $200,000 decrease in equity-based compensation expense on previously awarded RCC restricted stock and options. The decrease in legal and consulting fees relates to an unsuccessful bank transaction that occurred in fiscal 2010; no such fees were incurred in fiscal 2011. These decreases were partially offset by a $2.9 million increase in wages and benefits, primarily related to a $2.5 million increase in a profit-sharing arrangement with certain employees in connection with the portfolio management activities conducted by Resource Capital Markets on behalf of RCC, and a $316,000 severance charge related to our European operations in connection with the sale of the management contract of REM I.

***Revenues − Fiscal 2010 Compared to Fiscal 2009***

Revenues decreased $204,000 (1%) to $33.1 million in fiscal 2010 from $33.3 million in fiscal 2009. We attribute the decrease to the following:

- a $2.3 million decrease in fund management fees, primarily from the following:
  - a $2.3 million decrease in collateral management fees from our Ischus operations primarily as a result of rating agency downgrades which had the effect of reducing the eligible collateral base upon which our management fees are calculated. In addition, two of the CDO issuers managed by Ischus were liquidated during fiscal 2009;
  - a $552,000 net decrease in base, subordinated and incentive management fees from our Trapeza operations, primarily from the following:
    - a $292,000 decrease in base management fees as a result of portfolio defaults which reduced the eligible collateral base upon which our management fees are calculated;
    - a $648,000 increase in our share of expenses for TCM, including a $389,000 allowance against advances made to certain Trapeza partnerships and a $132,000 increase in legal fees.

  These decreases were partially offset by:

– a $277,000 increase in subordinated management fees. During fiscal 2010 and 2009, we recorded subordinated management fees of $34,000 and ($243,000) on one and 11 CDO issuers, respectively. The loss recorded during fiscal 2009 was primarily the result of the write-off of cumulative accrued fees on nine CDO issuers; and

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- a $57,000 increase in incentive management fees. During fiscal 2009, we recorded a loss of $57,000 on two CDO issuers principally due to the write-off of cumulative accrued fees. There was no write-off of fees in fiscal 2010.
- a $259,000 decrease in collateral management fees from the European CDO issuer we manage due to the variance in foreign currency exchange rates.

These decreases were partially offset by:

- a $484,000 increase in management and incentive fees earned on a separate managed account. No such fees were earned on this account during fiscal 2009; and
- a $308,000 increase in management fees for the credit opportunities fund primarily due to a $220,000 incentive fee we earned after exceeding certain investor return hurdles.

- a $809,000 increase in RCC management fees primarily due to an increase in incentive management fees and in RCC's equity capital (upon which our base management fee is calculated) resulting primarily from RCC's success in raising capital through common stock offerings;
- a $2.5 million increase in introductory agent fees as a result of fees earned in connection with 103 structured security transactions with an average fee of $75,000 for fiscal 2010 as compared to 91 structured security transactions with an average fee of $57,000 for fiscal 2009;
- a $508,000 net increase in earnings from nine unconsolidated CDO issuers we previously sponsored and manage. This increase in earnings was a result of an increase in anticipated cash flows for our Apidos equity investments we hold in fiscal 2010 as compared to fiscal 2009. As of September 30, 2010, we have fully impaired four of these CDO investments and will utilize the cost-recovery method to realize any future income;
- a $5.2 million decrease in interest income on loans, primarily as a result of the following:
  - a $6.0 million decrease in interest from Apidos CDO VI due to the sale of our interests in March 2009, at which time we ceased to consolidate that entity; partially offset by
  - an $860,000 increase due to the recovery of excess interest spread earned on loan assets accumulating during the warehouse period of the European CDO issuer we previously managed. We do not expect to receive any additional income from this source in the future.
- a $626,000 increase in other income, primarily related to the following:
  - an $800,000 break-up fee received in connection with an unsuccessful bank transaction to reimburse us for a significant portion of our costs. We do not anticipate receiving such a fee in the future; partially offset by
  - a $158,000 decrease in earnings from Structured Finance Fund, L.P. and Structured Finance Fund II, L.P., collectively referred to as the SFF partnerships, relating to four CDO investments which have been fully impaired. As of December 31, 2009, the SFF partnerships assigned their interest in these investments to an affiliated third party. The SFF partnerships were dissolved in March 2010.
- Limited and general partner interests:
  - during fiscal 2010, we (along with the co-manager of the general partners), repurchased substantially all the remaining limited partner interests in two Trapeza partnerships that reduced our clawback liability for which we recorded a gain of $2.3 million. During fiscal 2009, we had reduced our clawback liability and recorded a gain of $1.6 million; and
  - during fiscal 2010 and 2009, we recorded $229,000 and ($1.9 million), respectively, in realized and unrealized fair value adjustments in the book value of securities we hold in unconsolidated other company-sponsored partnerships.

***Costs and Expenses − Fiscal 2010 Compared to Fiscal 2009***

Costs and expenses of our financial fund management operations increased $560,000 (3%) in fiscal 2010. This increase was principally due to a $1.8 million increase in commission expense incurred in connection with certain trust preferred security transactions, a $1.2 million increase in legal and consulting expenses primarily relating to an unsuccessful bank transaction and a $197,000 increase in equity-based compensation expense due to an adjustment related to previously issued RCC restricted stock and options awarded to members of management. These increases were

partially offset by decreases in compensation ($2.0 million), financial software ($388,000) and rent expense ($287,000) as a result of a reduction in asset management and support personnel reflecting our efforts to realign costs with existing operations.

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**Results of Operations: Commercial Finance**

As previously discussed in Item 1; "Business-General," and in "-Overview," above, in January 2011 we contributed the leasing origination and servicing platform of LEAF Financial to LEAF to facilitate outside investment in our commercial finance business. RCC also contributed assets and cash to LEAF, and Guggenheim provided a credit facility for use in LEAF's originations. LEAF Financial retained the management of four equipment leasing partnerships, for which LEAF will be the subservicer. Because we controlled LEAF, its results are included in our financial statements for fiscal 2011 and we discuss those results in this section. However, as a result of the November 2011 LCC Transaction, we determined that we no longer control LEAF and, accordingly, it will be deconsolidated from our financial statements for fiscal 2012 and subsequent fiscal years, with our retained interest being accounted for on the equity method of accounting.

New equipment originations for fiscal 2011 were $105.8 million as compared to $115.7 million for fiscal 2010.

Our goal as the asset managers for our investment partnerships is to preserve partnership capital and to achieve the best possible results for those investors. In fiscal 2011, we took the following actions on behalf of our investment partnerships:

- ceased raising new funds when it became apparent that the debt markets were not improving rapidly enough;
- deferred expense reimbursement to us;
- for fiscal 2011 and 2010, we waived $8.1 million and $3.8 million, respectively, of our asset management fees for our sponsored leasing partnerships, and anticipate that we will continue to waive our fees in the future which, accordingly, will reduce our revenues. We believe that, as a result, cash flows in these partnerships may improve, which will help pay down loans and generate liquidity for investments in new leases; and
- negotiated with the partnerships' lenders to keep them from foreclosing on partnership collateral.

The commercial finance assets we managed for our own account at September 30, 2011 increased by $64.6 million to $192.0 million as compared to $127.4 million at September 30, 2010. The assets we managed for others, at September 30, 2011 decreased by $357.3 million to $393.4 million as compared to $750.7 million at September 30, 2010 (excluding assets managed for RCC) primarily due to the natural runoff of the lease portfolios owned by the respective investment partnerships. As of September 30, 2011, we managed approximately 62,000 leases and loans that had an average original finance value of $26,000 with an average term of 58 months as compared to approximately 82,000 leases and loans with an average original finance value of $25,000 and an average term of 56 months as of September 30, 2010.

At September 30, 2011, we employed 199 employees (191 excluding part-time workers) as compared to 198 employees (195 excluding part-time workers) at September 30, 2010, representing a 1% overall increase. Our origination staff increased by 16 employees as of September 30, 2011 as compared to September 30, 2010, despite the closure of our Columbia, South Carolina office, which accounted for a reduction of 15 employees in the origination area. The net headcount increase in the origination functions reflected our efforts to increase our origination volume. LEAF currently maintains its corporate headquarters and operation center in Philadelphia, Pennsylvania, a sales and servicing center in Moberly, Missouri, a call center located in Orange County, California, and regional sales offices located throughout the U.S.

| | As of September 30, | | Increase (Decrease) | |
|---|---|---|---|---|
| | 2011 | 2010 | Amount | Percentage |
| Corporate: administration, legal, human resources, finance and information technology | 65 | 57 | 8 | 14% |
| Originations: sales, credit and lease origination operations | 76 | 62 | 14 | 23% |
| Servicing: customer service, collections and cash applications | 58 | 79 | (21) | (27)% |
| Total employees | 199 | 198 | 1 | 1% |

In March 2009, two of the public equipment leasing partnerships we sponsored and manage formed a joint venture. The joint venture subsequently acquired a portion of our interest in LEAF Commercial Finance Fund, LLC, or LCFF, an investment fund we formed to acquire and finance leases and loans we originate. As a result of this transaction, LCFF became a VIE for which the joint venture was determined to be the primary beneficiary and, therefore, we ceased to consolidate LCFF as of March 2009.

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The following table sets forth information related to commercial finance assets we manage (1) (in millions):

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| Managed for our own account | $ 192 | $ 12 |
| Managed for others: | | |
| LEAF investment entities | 389 | 735 |
| RCC | – | 115 |
| Other | 4 | 16 |
| | 393 | 866 |
| | $ 585 | $ 878 |

(1) For information on how we calculate assets under management, see Item 1, "Business − "Assets under Management."

The revenues from our commercial finance operations historically have consisted primarily of finance revenues from leases and loans held by us prior to being sold, asset acquisition fees which we earn when commercial finance assets are sold to one of our investment partnerships and asset management fees we earn over the life of the leases or loans after sale to our investment partnerships. Commencing in the third quarter of fiscal 2010 and thereafter, we have waived our management fees from our investment partnerships.

The following table sets forth certain information relating to the revenues recognized and costs and expenses incurred in our commercial finance operations (in thousands):

| | Years Ended September 30, 2011 | 2010 | 2009 |
|---|---|---|---|
| Revenues:(1) | | | |
| Finance revenues | $ 18,897 | $ 10,662 | $ 22,974 |
| Acquisition fees | – | 1,327 | 4,943 |
| Fund management fees | 505 | 10,905 | 19,133 |
| Equity in losses of investment entities | (665) | (1,896) | (1,133) |
| Other income | 3,058 | 2,679 | 2,850 |
| | $ 21,795 | $ 23,677 | $ 48,767 |
| Costs and expenses: | | | |
| Wages and benefit costs | $ 11,880 | $ 9,245 | $ 13,263 |
| Other costs and expenses | 5,986 | 8,919 | 11,916 |
| Deferred initial direct costs and fees | (2,659) | – | – |
| | $ 15,207 | $ 18,164 | $ 25,179 |

(1) Total revenues include RCC servicing and origination fees of $144,000, $444,000 and $1.0 million for fiscal 2011, 2010 and 2009, respectively.

***Revenues − Fiscal 2011 Compared to Fiscal 2010***

Revenues decreased $1.9 million (8%) to $22.0 million for fiscal 2011 as compared $23.7 million for fiscal 2010. We attribute these decreases primarily to the following:

- a $10.4 million decrease in management fees. In fiscal 2010, we began waiving certain management fees from our commercial finance investment partnerships due to their reduced equity distributions as a result of the impact of the recession on their respective cash flows. In fiscal 2011, we waived $8.1 million of these fees as compared to $3.8 million in fiscal 2010; and

- a $1.3 million decrease in asset acquisition fees. The difficulty in obtaining and maintaining debt financing by the investment funds we manage coupled with certain of those funds entering maturity phases has limited their ability to acquire equipment financings from us. Consequently, we reduced our commercial finance originations to match their asset acquisition capabilities.

These decreases were partially offset by the following:

- an $8.2 million increase in finance revenues due to the $180.0 million increase in the portfolio of assets held for our own account, reflecting the contribution of the RCC portfolio to LEAF in January 2011 in addition to our ongoing lease and loan originations;

- a $1.2 million decrease in equity losses on unconsolidated partnerships, reflecting a decrease in the provision for credit losses by our investment partnerships and a non-recurring gain on the extinguishment of debt; and

- a $379,000 increase in other income, primarily due to an increase in the insurance fees we generated.

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***Costs and Expenses − Fiscal 2011 Compared to Fiscal 2010***

Costs and expenses from our commercial finance operations decreased by $3.0 million (16%) in fiscal 2011 compared to fiscal 2010. We attribute this decrease primarily to the following:

- a $2.9 million reduction in other costs and expenses, primarily legal fees to service our smaller portfolio of assets, as well as our ongoing cost saving and consolidation efforts which targeted eliminating overhead redundancies and increasing operating efficiencies; and
- a $2.7 million increase in the capitalization of deferred initial direct costs, or IDC. In fiscal 2010 and 2009, we originated and sold the leases and notes to our investment partnerships. Accordingly, we netted the IDC capitalization of $1.8 million and $6.3 million, respectively, against the corresponding acquisition fees we recorded from the partnerships at the time of sale to the investment partnerships. Commencing in fiscal 2011, we have maintained the commercial assets we acquired on our balance sheet and, therefore, have reflected the capitalization of IDC costs separately as a reduction of our general and administrative expenses.

These decreases was partially offset by the following:

- a $2.6 million increase in wage and benefit costs, primarily driven by a reduction in the amount of costs and that we could allocate to our managed investment partnerships.

***Revenues − Fiscal 2010 Compared to Fiscal 2009***

Revenues decreased $25.0 million (51%) from $23.7 million for fiscal 2010 as compared $48.8 million for fiscal 2009. We attribute these decreases primarily to the following:

- a $12.3 million decrease in commercial finance revenues during fiscal 2010. The decreases were caused by the reduction in the size of the portfolio of commercial finance assets managed for our own account primarily due to the sale of commercial finance assets to RCC;
- a $3.6 million decrease in asset acquisition fees during fiscal 2010. The difficulty in obtaining and maintaining debt financing by the investment funds we manage has limited their ability to acquire equipment financings from us. Consequently, we reduced our commercial finance originations to match their asset acquisition capabilities;
- a $8.2 million decrease in management fees during fiscal 2010. Our management fees include fees we receive to service the commercial finance assets we manage, offering fees earned for raising capital in our investment entities as well as fees received for originating loans for those entities. The decline in fund management fees during fiscal 2010 was caused primarily by a waiver of the fees we earn to manage the commercial finance assets, lower offering fees received as LEAF Equipment Finance Fund 4, our most recently sponsored investment entity, closed its offering in October 2009, and finally, due to the lower fees as a result of the previously discussed reduction in the portfolio of leases and loans held by our investment entities.
- a $763,000 increase in equity losses during fiscal 2010, reflecting an increase in the provision for credit losses recorded by our investment entities. The negative impact of the economic recession in the United States on the ability of our investment funds' customers to make payments on their leases and loans, has accordingly, increased our exposure from non-performing assets; and
- other income decreased $171,000 during fiscal 2010 principally due to the decrease in customer service charges. These fees typically vary widely from period to period and are driven by the amount and seasoning of commercial finance assets held by us.

***Costs and Expenses − Fiscal 2010 Compared to Fiscal 2009***

Costs and expenses from our commercial finance operations decreased by $7.0 million (28%) for fiscal 2010. We attribute this decrease primarily to the following:

- a $4.0 million reduction in wage and benefit costs during fiscal 2010. In response to lower origination volume and assets under management, we have reduced payroll and other overhead costs and have continued to eliminate redundant positions. In total, we have reduced the number of full-time employees in our commercial finance operations by 125 to 195 at September 30, 2010 from 320 at September 30, 2009; and
- a reduction in other costs and expenses of $3.0 million during fiscal 2010. The decrease reflects the reduction in costs, primarily legal, to service our smaller portfolio of assets, as well as our ongoing cost saving and consolidation efforts which targeted eliminating overhead redundancies and increasing operating efficiencies.

## Results of Operations: Other Costs and Expenses

### General and Administrative Expenses

*Fiscal 2011 Compared to Fiscal 2010.* General and administrative costs were $11.5 million in fiscal 2011, a decrease of $1.5 million (11%) as compared to $13.0 million in fiscal 2010. Wages and benefits decreased by $766,000, principally reflecting an $869,000 decrease in equity-based compensation expense.

*Fiscal 2010 Compared to Fiscal 2009.* General and administrative costs were $13.0 million in fiscal 2010, a decrease of $1.4 million (10%) as compared to $14.4 million in fiscal 2009. Wages and benefits decreased by $1.2 million, principally reflecting a $1.1 million decrease in equity-based compensation expense.

### Gain (Loss) on the Sale of Leases and Loans

During fiscal 2011, we recorded a $659,000 gain on the sale of leases and loans as compared to a loss of $8.1 million during fiscal 2010 and a gain of $628,000 during fiscal 2009. During fiscal 2010, availability on the warehouse facility for our commercial finance operations declined and the facility was terminated in May 2010. Due to the lack of other available financing during fiscal 2010, loans and leases were sold to third-parties, as well as to RCC, at a loss.

### Provision for Credit Losses

The provisions for credit losses recorded in fiscal 2011, 2010 and 2009 are reflective of the weakness in the United States economy and the write-offs and write-downs of assets affected by that weakness. The following table reflects our provision for credit losses as reported by segment (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Commercial finance: | | | |
| Receivables from managed entities | $ 7,237 | $ 1,852 | $ – |
| Leases, loans and future payment card receivables | 1,231 | 3,307 | 6,410 |
| Real estate: | | | |
| Receivables from managed entities | 2,178 | – | – |
| Trade receivables | 15 | – | – |
| Investment in loans | – | 49 | 456 |
| Financial fund management - investment in loans | – | 1 | 1,738 |
| | $ 10,661 | $ 5,209 | $ 8,604 |

*Fiscal 2011 Compared to Fiscal 2010.* We have estimated, based on projected cash flows, that two of the commercial finance funds and two of the real estate partnerships that we sponsored and managed will not have sufficient funds to pay a portion of their accrued management fees and, accordingly, we recorded a $9.4 million provision for credit losses during fiscal 2011 as compared to $1.9 million during fiscal 2010. This increase was offset, in part, by the $2.1 million reduction in the provision for commercial finance leases and loans held for investment.

*Fiscal 2010 Compared to Fiscal 2009.* The provision for credit losses decreased by $3.4 million in fiscal 2010 primarily due to the sale of Apidos VI and the continued decline in commercial finance assets we held during fiscal 2010.

Specifically, our provision by operating segment was impacted by the following:

- Commercial finance – the year-over-year provisions for credit losses in fiscal 2010 and 2009 decreased by $1.3 million due primarily to the decrease in the assets we held. During fiscal 2010, we sold a portfolio of commercial assets to RCC and, in March 2009, we sold our interests in LCFF, an investment fund we formed which held a $195.0 million portfolio of leases and loans, inclusive of a $900,000 credit loss reserve;
- Financial fund management – the year over year provisions in fiscal 2010 and 2009 decreased by $1.7 million and $884,000, respectively, due primarily to the sale in March 2009 of our investment in Apidos CDO VI, a $240.0 million securitization of corporate loans, for which we had recorded a $1.7 million provision for credit losses during fiscal 2009; and
- Real estate – while we continued to monetize our legacy loan portfolio to reduce our overall exposure, we determined that the economic conditions in fiscal 2009 continued to negatively impact one of the remaining loans. Accordingly, we recorded a $456,000 provision during fiscal 2009, which fully reserved that loan.

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**Depreciation and Amortization**

*Fiscal 2011 Compared to Fiscal 2010.* Depreciation and amortization expense was $10.7 million in fiscal 2011, an increase of $2.9 million (37%) as compared to $7.8 million in fiscal 2010. The increase relates primarily to the $4.3 million of additional depreciation expense on the additional $25.1 million of operating leases we held during fiscal 2011. The increase was offset, in part, by an $809,000 decrease in the amortization of commercial finance customer lists, which were deemed to be fully impaired during fiscal 2010.

*Fiscal 2010 Compared to Fiscal 2009.* Depreciation and amortization expense was $7.8 million in fiscal 2010, an increase of $920,000 (13%) as compared to $6.9 million in fiscal 2009. The increase relates primarily to $1.4 million of additional depreciation expense on operating leases held. While we decreased the total portfolio of leases and loans held by our commercial finance business, the average amount of the portfolio held as operating leases increased by $3.2 million in fiscal 2010.

**Interest Expense**

Interest expense includes the non-cash amortization of debt issuance costs (and in some cases for fiscal 2010 and 2009, the acceleration of those costs for credit facilities which were significantly amended or terminated prior to their stated maturity), as well as discounts related to the following - (a) the value of the warrants we issued to holders of our Senior Notes, (b) the LEAF warrants issued in connection with its credit facility, and (c) LEAF's securitized borrowings and the corresponding issuance of equipment-backed notes. The interest as reflected by our commercial finance segment will be eliminated in fiscal 2012 as a result of the deconsolidation of LEAF (see Note 27 of the notes to our consolidated financial statements in Item 8 of this report). The following table reflects interest expense as reported by segment (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Commercial finance | $ 8,563 | $ 6,271 | $ 10,524 |
| Corporate | 5,671 | 5,738 | 3,695 |
| Real estate | 1,109 | 1,074 | 966 |
| Financial fund management | – | 3 | 5,014 |
| | $ 15,343 | $ 13,086 | $ 20,199 |

Facility utilization and issuance of 12% Senior Notes (in millions, except percentages) and corresponding interest rates on borrowings outstanding were as follows:

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| **Commercial finance – secured credit facility:** | | | |
| Average borrowings | $ 40.4 | $ – | $ – |
| Average interest rates | 4.1% | – | – |
| **Commercial finance – term securitization:** | | | |
| Average borrowings | $ 62.5 | $ – | $ – |
| Average interest rates | 5.4% | – | – |
| **Commercial finance – terminated short-term bridge facility:** | | | |
| Average borrowings | $ 8.8 | $ 1.6 | $ – |
| Average interest rates | 6.8% | 4.0% | – |
| **Commercial finance – terminated secured credit facility:** | | | |
| Average borrowings | $ – | $ 77.0 | $ 201.2 |
| Average interest rates | – | 5.0% | 2.8% |
| **Corporate – secured credit facilities and term note:** | | | |
| Average borrowings | $ 11.8 | $ 18.2 | $ 42.8 |
| Average interest rates | 6.5% | 7.4% | 5.8% |
| **Corporate – Senior Notes:** | | | |
| Average borrowings | $ 18.8 | $ 18.8 | $ – |
| Average interest rates | 12.0% | 12.0% | – |
| **Financial fund management:** | | | |
| Average borrowings | $ – | $ – | $ 108.7 |
| Average interest rates | – | – | 4.6% |

*Fiscal 2011 Compared to Fiscal 2010.* Interest expense incurred by our commercial finance operations increased by $2.3 million (37%) primarily due to the $33.1 million increase in weighted average borrowings as compared to fiscal 2010. In the January 2011 LEAF transaction, we consolidated $96.1 million of equipment-backed notes, net of a discount, and obtained a $110.0 million revolving credit facility with Guggenheim, replacing the $21.8 million of short-term bridge financing.

*Fiscal 2010 Compared to Fiscal 2009.* Interest expense incurred by our commercial finance operations decreased by $4.3 million for fiscal 2010, primarily reflecting a decrease in average borrowings of $122.6 million. During fiscal 2010, our borrowing capacity on our commercial finance warehouse facility decreased and in May 2010, the line was fully repaid and terminated. In March 2009, we sold a $195.0 million portfolio of leases held by LCFF and, thereby, eliminated $187.6 million of corresponding debt. The decrease in average borrowings was offset, in part, by a $1.6 million increase in amortization of deferred finance fees for the commercial finance facilities.

Corporate interest expense increased by $2.0 million for fiscal 2010, principally reflecting $3.8 million of interest expense related to the Senior Notes issued in September and October 2009, of which $1.5 million was amortization of the debt discount related to the cost of the warrants issued with the notes. This increase was offset, in part, by a $24.6 million decrease in fiscal 2010 average borrowings under our corporate secured credit facilities resulting in a $1.7 million decrease in interest expense.

The sale of our equity interest and resulting deconsolidation of Apidos CDO VI in March 2009 removed its senior notes from our balance sheet. Accordingly, there was no interest expense for our financial fund management operations for fiscal 2010 as compared to $5.0 million of interest expense for fiscal 2009.

**Gain on Sale of Management Contract**

In December 2010, we sold the management contract of REM I for a gain of $6.5 million.

**Gain on Extinguishment of Servicing and Repurchase Liabilities**

In conjunction with the formation of LEAF in January 2011, we reversed the servicing and repurchase liabilities recorded in fiscal 2010 related to certain lease and loan sales to RCC, and recognized a gain of $4.4 million.

**Net Other-than-Temporary Impairment Charges on Investment Securities**

There were no other-than-termporary impairment charges during fiscal 2011. In connection with the volatility in the global credit markets and reduction in liquidity affecting banks, thrifts, other financial institutions, as well as direct and indirect real estate investments, we incurred other-than-temporary impairment charges in fiscal 2010 and 2009 with respect to CDO securities. During fiscal 2010, we recorded a $183,000 charge related to bank loans ($166,000 for European loans) and a $297,000 charge related to CDO investments in the securities of financial institutions. The fiscal 2009 charges were primarily with investments in bank loans ($5.2 million, of which $2.3 million related to European loans) and financial institutions ($3.2 million). Additionally, in fiscal 2010, we recorded a $329,000 other-than-temporary impairment loss on our investment in TBBK common stock held in a retirement account for a former executive due to the decision to sell these securities during fiscal 2011 to fund the account. In fiscal 2009, we recorded a $73,000 other-than-temporary impairment loss on our TBBK stock held for investment as we decided to no longer hold these shares until we could recover our cost basis.

**Loss on Sale of Loans and Investment Securities, Net**

During fiscal 2011, we received proceeds of $2.9 million from the first quarter sale of our equity investment in REM I and recognized a $1.5 million loss on the sale. This loss was offset, in part, by a gain of $186,000 from the sale of 90,210 shares of TBBK common stock we held.

In June 2010, we received proceeds of $1.2 million from the sale of our equity investment in Apidos CDO II and recognized a loss on the sale of $27,000. In March 2010, we received $1.5 million in proceeds from the sale of our equity investment in Apidos CDO V and realized a loss of $424,000.

During fiscal 2009, in conjunction with the deconsolidation and sale of our interest in Apidos CDO VI, we received proceeds of $7.2 million and recognized a loss of $11.6 million ($7.2 million, net of tax). In addition, in fiscal 2009 we sold 99,318 shares of TBBK common stock at a loss of $393,000.

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**Other Income**

The following table details our other income, net of other expenses (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| RCC dividend income (1) | $ 2,455 | $ 2,278 | $ 3,405 |
| Interest income | 547 | 434 | 340 |
| Other expense, net (2) | (760) | (121) | (196) |
| Other income, net | $ 2,242 | $ 2,591 | $ 3,549 |

(1) In fiscal 2011 and 2010, we recognized four dividend payments on our investment in RCC as compared to five dividend payments in fiscal 2009.

(2) Included in other expense, net for fiscal 2011, 2010 and 2009 is $298,000, $263,000 and $192,000, respectively, of amortized losses in the securities held in the retirement plan for our former CEO. In addition, in fiscal 2011, we incurred a $573,000 loss associated with the relocation of certain of our Philadelphia offices in order to consolidate personnel.

**Net (Income) Loss Attributable to Noncontrolling Interests**

Third-party interests in our earnings are recorded as amounts allocable to noncontrolling interests. As a result of the deconsolidation of LEAF, the commercial finance non-controlling interests will be eliminated from our fiscal 2012 consolidated financial statements. The following table sets forth the net (income) loss attributable to noncontrolling interests (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Commercial finance – RCC's investment (1) | $ (2,910) | $ – | $ – |
| Commercial finance – management's ownership, net of tax of $949, $1,699, $0 (2) | 2,059 | 3,155 | – |
| Real estate - minority holder interest (3) | 52 | 61 | 54 |
| Other partnership interests (4) | – | 8 | 1,549 |
| | $ (799) | $ 3,224 | $ 1,603 |

(1) In the January 2011 formation of LEAF, RCC received 3,743 shares of LEAF Series A preferred stock and warrants to purchase 4,800 shares of LEAF common stock at $0.01 per share. The warrants were recorded as a discount to the preferred stock and are being amortized over the five-year term of the warrants.

(2) Senior executives of LEAF held a 14.1% interest in LEAF Financial as of September 30, 2010 and 2009. In January 2011, these shares were exchanged for a 21.98% interest in LEAF (10% on a fully diluted basis).

(3) A related party holds a 19.99% interest in our investment in a hotel property in Savannah, Georgia.

(4) Limited partners, excluding us, owned an 85% and 64% limited partner interest in SFF I and SFF II, respectively, which invested in the equity of certain of the CDO issuers we sponsored. As of March 31, 2010, these partnerships were dissolved.

**Income Taxes**

*Fiscal 2011 Compared to Fiscal 2010.* Our effective income tax rate (income taxes as a percentage of income from continuing operations before taxes) was a benefit of 47% for fiscal 2011 as compared to 13% for fiscal 2010. The increase in the income tax benefit and accordingly, the effective tax rate, relates primarily to the lesser impact of permanent items relative to the pre-tax loss for fiscal 2011. In addition, the effective income tax rate for fiscal 2010 was much lower than fiscal 2011 due to one-time deferred tax adjustments, which decreased the fiscal 2010 tax rate. Our effective income tax rate, as adjusted to exclude adjustments primarily related to discrete items, would have been 35% for fiscal 2011.

We expect our effective tax rate to be between 35% and 40% for fiscal 2012. Our effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings and the level of our tax credits. Certain of these and other factors, including our history of pre-tax earnings, are taken into account in assessing our ability to realize our net deferred tax assets.

We are subject to examination by the U.S. Internal Revenue Service, or IRS, and by the taxing authorities in other states in which we have significant business operations, such as Pennsylvania and New York. We are currently undergoing a New York State examination for fiscal years 2007 through 2009. We are no longer subject to U.S. federal income tax

examinations for fiscal years before 2008 and are no longer subject to state and local income tax examinations by tax authorities for fiscal years before 2005.

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*Fiscal 2010 Compared to Fiscal 2009.* Our effective income tax rate (income taxes as a percentage of income from continuing operations, before taxes) was 13% for fiscal 2010 as compared to 40% for fiscal 2009. The decrease in the income tax benefit and accordingly, the tax rate, relates primarily to an increase in the valuation allowance on state benefits not able to be utilized for fiscal 2010 and the write-off of unrealizable deferred tax assets. Additionally, during the fourth quarter of fiscal 2010, we recorded a $1.6 million adjustment to reconcile deferred taxes, of which $892,000 related to prior years. Our effective income tax rate, as adjusted to exclude adjustments primarily related to discrete items, would have been 46% for fiscal 2010.

**Discontinued Operations**

In connection with the sale of a real estate loan in March 2006, we agreed that in exchange for the current property owner relinquishing certain control rights, we would make payments to the owner under stipulated circumstances. On April 7, 2011, we were formally notified that a trigger event had occurred on March 17, 2011 and, accordingly, we accrued the present value of the payout due under the agreement in the amount of $3.4 million, which is reflected as a $2.2 million loss, net of tax, from discontinued operations in the consolidated statements of operations.

Income (losses) from discontinued operations for fiscal 2010 and 2009 primarily reflect a reversal of $626,000 and charges of $433,000, respectively, of interest and penalty assessments related to the 2004 and 2005 IRS tax examinations relating to disallowed bad debt deductions taken on properties held by our real estate operations that were subsequently disposed. Summarized operating results of discontinued operations are as follows (in thousands):

| | Years Ending September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| (Loss) income from discontinued operations before taxes | $ (3,387) | $ 622 | $ (377) |
| Benefit (provision) for income taxes | 1,185 | – | (67) |
| (Loss) income from discontinued operations, net of tax | $ (2,202) | $ 622 | $ (444) |

**Liquidity and Capital Resources**

As a result of the November 2011 LCC Transaction and the anticipated deconsolidation of LEAF, the following discussion of our liquidity and capital resources excludes LEAF (see Note 27 of the notes to our consolidated financial statements included in Item 8 of this report).

As an asset management company, our liquidity needs consist principally of capital needed to make investments and to pay our operating expenses (principally wages and benefits and interest expense). Our ability to meet our liquidity needs will be subject to our ability to generate cash from operations, and, with respect to our investments, our ability to raise investor funds and to obtain debt financing. However, the availability of any such financing will depend on market conditions. We also may seek to obtain liquidity through the disposition discussed below of non-strategic investments, including our legacy real estate portfolio.

At September 30, 2011, our liquidity consisted of three primary sources:

- cash on hand of $22.4 million;
- $5.0 of availability under our two corporate credit facilities; and
- cash generated from operations.

In total, we have repaid $5.4 million in corporate borrowings with TD Bank during fiscal 2011. We received net proceeds of approximately $17.4 million (including $800,000, which was released from escrow in October 2011) in conjunction with the June 2011 sale of an office building in Washington, DC that was owned by one of our legacy investments. As required by our loan agreement with TD Bank, we paid down $3.0 million of the term note portion of the TD bank facility with proceeds from this transaction. Additionally, in October 2011, we repaid $2.2 million from proceeds we received from the REMI I sale (which had been held in escrow and included in restricted cash at September 30, 2010). In November 2011, we extended the maturity of our TD Bank facility from August 31, 2012 to August 31, 2013 and repaid the remaining $1.3 million of the term loan. In addition, during fiscal 2011, we obtained a new $3.5 million credit facility with Republic First Bank; there were no borrowings outstanding on this line at December 1, 2011.

As of September 30, 2011, our total borrowings outstanding of $38.0 million included $16.3 million of Senior Notes (net of a $2.5 million discount), $7.5 million of corporate revolving debt, $1.3 million remaining under the TD Bank term loan, $10.7 million of mortgage debt secured by the underlying property and $2.2 million of other debt.

In November 2011, we redeemed $8.8 million and modified the remaining $10.0 million of our Senior Notes to reduce the interest rate to 9% and extend the maturity to October 2013.

The mortgage on a hotel property we own in Savannah, GA is secured by the property. On August 5, 2011, we refinanced the mortgage, which extended the maturity for 10 years.

We may defer or discount our fees from the investment entities we sponsored and mange based upon current economic conditions. In certain circumstances, we may also waive all or part of these fees based upon required priority distributions to our investors. Based on changes in the projected cash flows of two of our commercial finance and two real estate partnerships, we determined that we will not be able to collect our receivable for management fees and, accordingly, recorded a provision of $9.4 million and $1.9 million for fiscal 2011 and 2010, respectively. In addition, we waived $8.1 million and $3.8 million of fees from our four commercial finance partnerships during fiscal 2011 and 2010, respectively, and we anticipate waiving these fees in the future.

Our legacy portfolio at September 30, 2011 consisted of one loan and five property interests. To the extent we are able to dispose of these assets, we will obtain additional liquidity. The amount of additional liquidity we obtain will vary significantly depending upon the asset being sold and then-current economic conditions. We cannot assure you that any dispositions will occur or as to the timing or amounts we may realize from any such dispositions.

**Capital Requirements**

Our capital needs consist principally of funds to make investments in the investment vehicles we sponsor or for our own account and to provide bridge financing or other temporary financial support to facilitate asset acquisitions by our sponsored investment vehicles. Accordingly, the amount of capital we require will depend to a significant extent upon our level of activity in making investments for our own account or in sponsoring investment vehicles, all of which is largely within our discretion.

**Dividends**

For fiscal 2011, 2010 and 2009, we paid cash dividends of $2.2 million, $1.6 million and $3.6 million, respectively. We have paid quarterly cash dividends since August 1995.

Our 12% Senior Notes limit the amount of future cash dividends to $0.03 per share unless our basic earnings per common share from continuing operations from the preceding fiscal quarter exceeds $0.25 per share. Subject to the limitations imposed by our 12% senior notes, the determination of the amount of future cash dividends, if any, is at the discretion of our board of directors and will depend on the various factors affecting our financial condition and other matters the board of directors deems relevant.

**Contractual Obligations and Other Commercial Commitments**

The following tables summarize our contractual obligations and other commercial commitments at September 30, 2011 excluding LEAF (see Note 27 of the notes to our consolidated financial statements included in Item 8 of this report) (in thousands):

| | | Payments Due By Period | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 – 3 Years | 4 – 5 Years | After 5 Years |
| Contractual obligations: | | | | | |
| Other debt (1) | $ 33,023 | $ 10,787 | $ 10,376 | $ 2,131 | $ 9,729 |
| Secured credit facilities (1) | 7,493 | – | 7,493 | – | – |
| Operating lease obligations | 11,170 | 1,921 | 2,813 | 2,428 | 4,008 |
| Other long-term liabilities | 10,721 | 2,292 | 2,517 | 1,503 | 4,409 |
| Total contractual obligations | $ 62,407 | $ 15,000 | $ 23,199 | $ 6,062 | $ 18,146 |

(1) Not included in the table above are estimated interest payments calculated at rates in effect at September 30, 2011; less than 1 year: $2.3 million; 1-3 years: $3.1 million; 4-5 years: $1.4 million; and after 5 years: $2.9 million.

| | | Amount of Commitment Expiration Per Period | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 – 3 Years | 4 – 5 Years | After 5 Years |
| Other commercial commitments: | | | | | |
| Guarantees | $ – | $ – | $ – | $ – | $ – |
| Standby letters of credit | 803 | 803 | – | – | – |
| Total commercial commitments | $ 803 | $ 803 | $ – | $ – | $ – |

***Broker-Dealer Capital Requirement.*** Resource Securities (formerly Chadwick Securities, Inc.), our wholly-owned subsidiary, is a registered broker-dealer and serves as a dealer-manager for the sale of securities of direct participation investment programs, both public and private, sponsored by our subsidiaries who also serve as general partners and/or managers of these programs. Additionally, Resource Securities serves as an introducing agent for transactions involving sales of securities of financial services companies, REITs and insurance companies and for us and RCC. As a broker-dealer, Resource Securities is required to maintain minimum net capital, as defined in regulations under the Securities Exchange Act of 1934, as amended, which was $100,000 and $116,000 as of September 30, 2011 and 2010, respectively. As of September 30, 2011 and 2010, Resource Securities net capital was $254,000 and $393,000, respectively, which exceeded the minimum requirements by $154,0000 and $277,000, respectively.

***Clawback Liability.*** Two financial fund management investment entities that have incentive distributions, also known as carried interests, are structured so that there is a "clawback" of previously paid incentive distributions to the extent that such distributions exceed the cumulative net profits of the entities, as defined in the respective partnership agreements. On November 1, 2009 and January 28, 2010, we, along with the co-manager of the general partner of those investment entities, repurchased substantially all the remaining limited partnership interests in these two partnerships, significantly reducing our potential clawback liability. The clawback liability we recorded was $1.2 million at September 30, 2011 and 2010.

***Legal Proceedings***. See Item 3, "Legal Proceedings."

***General Corporate Commitments.*** As a specialized asset manager, we sponsor investment funds in which we may make an equity investment along with outside investors. This equity investment is generally based on a percentage of funds raised and varies among investment programs. With respect to RRE Opportunity REIT, we are committed to invest 1% of the equity raised by to a maximum amount of $2.5 million.

In July 2011, we entered into an agreement with one of the TIC programs we sponsored and manage. This agreement requires us to fund up to $1.9 million for capital improvements for the TIC property over the next two years. As of September 30, 2011, we had advanced funds totaling $1.4 million.

We are also a party to employment agreements with certain executives that provide for compensation and other benefits, including severance payments under specified circumstances.

As of September 30, 2011, except for the clawback liability recorded for the two Trapeza entities and executive compensation, we do not believe it is probable that any payments will be required under any of our commitments and contingencies, and accordingly, no liabilities for these obligations have been recorded in the consolidated financial statements.

**Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues, costs and expenses, and related disclosure of contingent assets and liabilities. We make estimates of our allowance for credit losses, the valuation allowance against our deferred tax assets, discounts and collectability of management fees, the valuation of stock-based compensation, servicing liability and repurchase obligation, allowance for lease and loan losses, and in determining whether a decrease in the fair value of an investment is an other-than-temporary impairment. Significant estimates for the commercial finance segment include the unguaranteed residual values of leased equipment, impairment of long-lived assets and goodwill and the fair value and effectiveness of interest rate swaps. The financial fund management segment makes assumptions in determining the fair value of our investments in securities available-for-sale and in estimating the liability, if any, for clawback provisions on certain of our partnership interests. We used assumptions, specifically inputs to the Black-Scholes pricing model and the discounted cash flow model, in computing the fair value of the 12% Senior Notes and related warrants. On an on-going basis, we evaluate our estimates, which are based on historical experience and on various other assumptions that we believe reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have identified the following policies as critical to our business operations and the understanding of our results of operations.

***Stock-Based Compensation***

We value the restricted stock we issue based on the closing price of our stock on the date of grant. For stock option awards, we determine the fair value by applying the Black-Scholes pricing model. These equity awards are amortized to compensation expense over the respective vesting periods, less an estimate for forfeitures.

### *Financing Receivables*

Receivables from Managed Entities. We perform a review of the collectability of our receivables from managed entities on a periodic basis. If upon review there is an indication of impairment, we will analyze the future cash flows of the managed entity. With respect to the receivables from our commercial finance investment partnerships, this takes into consideration several assumptions by management, specifically concerning estimations of future bad debts and recoveries. For the receivables from the real estate investment entities for which there are indications of impairment, we estimate the cash flows through the sale of the underlying properties, which is based on projected net operating income as a multiple of published capitalization rates, which is then reduced by the underlying mortgage balances and priority distributions due to the investors in the entity.

Investments in Commercial Finance. Our investments in commercial finance consist primarily of direct financing leases, equipment loans, and operating leases.

*Direct financing leases.* Certain of our lease transactions are accounted for as direct financing leases (as distinguished from operating leases). Such leases transfer substantially all benefits and risks of equipment ownership to the customer. Our investment in direct financing leases consists of the sum of the total future minimum contracted payments receivable and the estimated unguaranteed residual value of leased equipment, less unearned finance income. Unearned finance income, which is recognized as revenue over the term of the financing by the effective interest method, represents the excess of the total future minimum lease payments plus the estimated unguaranteed residual value expected to be realized at the end of the lease term over the cost of the related equipment. Initial direct costs incurred in the consummation of the lease are capitalized as part of the investment in lease receivables and amortized over the lease term as a reduction of the yield. We discontinue recognizing revenue for lease and loans for which payments are more than 90 days past due. Fees from delinquent payments are recognized when received.

*Equipment loans.* For term loans, the investment consists of the sum of the total future minimum loan payments receivable less unearned finance income. Unearned finance income, which is recognized as revenue over the term of the financing by the effective interest method, represents the excess of the total future minimum contracted payments over the original cost of the loan. For all other loans, interest income is recorded at the stated rate on the accrual basis to the extent that such amounts are expected to be collected.

*Operating leases.* Leases not meeting any of the criteria to be classified as direct financing leases are deemed to be operating leases. Under the accounting for operating leases, the cost of the leased equipment, including acquisition fees associated with lease placements, is recorded as an asset and depreciated on a straight-line basis over the equipment's estimated useful life, generally up to seven years. Rental income consists primarily of monthly periodic rental payments due under the terms of the leases. We recognize rental income on a straight-line basis.

During the lease term of existing operating leases, we may not recover all of the cost and related expenses of our rental equipment and, therefore, we are prepared to remarket the equipment in future years. our policy is to review, on at least a quarterly basis, the expected economic life of our rental equipment in order to determine the recoverability of its undepreciated cost. We write down our rental equipment to its estimated net realizable value when it is probable that its carrying amount exceeds such value and the excess can be reasonably estimated; gains are only recognized upon actual sale of the rental equipment. There were no write-downs of equipment during fiscal 2011, 2010, and 2009.

*Future payment card receivables.* Additionally, we have provided capital advances to small businesses based on future credit card receipts. The entire portfolio of future payment card receivables is on the cost recovery method whereby no income is recognized until the basis of the future payment card receivable has been fully recovered.

*Allowance for credit losses.* We evaluate the adequacy of the allowance for credit losses in commercial finance (including investments in leases and loans and future payment card receivables) based upon, among other factors, management's historical experience with the commercial finance portfolios we manage, an analysis of contractual delinquencies, economic conditions and trends, industry statistics and equipment finance portfolio characteristics, as adjusted for expected recoveries. In evaluating historic performance of leases and loans, we perform a migration analysis, which estimates the likelihood that an account progresses through delinquency stages to ultimate write-off. We fully reserves, net of recoveries, all leases and loans after they are 180 days past due.

Commercial finance receivables whose terms are modified are classified as troubled debt restructurings if we grant such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring typically involve a temporary deferral of scheduled payments, an extension of a commercial financial receivable's stated maturity date or a reduction in interest rate. Non-accrual troubled debt restructurings can be restored to accrual status if principal and interest payments, under the modified terms, become current subsequent to the modification. Troubled debt restructurings are included in the migration analysis for our commercial finance investments when evaluating the allowance for credit losses.

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***Investment Securities***

Our investment securities available-for-sale, including investments in the CDO issuers we sponsored, are carried at fair value. The fair value of the CDO investments is based primarily on internally-generated expected cash flow models that require significant management judgment and estimates due to the lack of market activity and the use of unobservable pricing inputs. Investments in affiliated entities, including holdings in TBBK and RCC, are valued at the closing price of the respective publicly-traded stock. The fair value of the cumulative net unrealized gains and losses on these investment securities, net of tax, is reported through accumulated other comprehensive income and loss. Realized gains and losses on the sale of investments are determined on the trade date on the basis of specific identification and are included in net operating results.

We recognize a realized loss when it is probable there has been an adverse change in estimated cash flows from what previously had been estimated. The security is then written down to fair value, and the unrealized loss is transferred from accumulated other comprehensive loss to the consolidated statements of operations as a charge to current earnings. The cost basis adjustment for an other-than-temporary impairment would be recoverable only upon the sale or maturity of the security.

Periodically, we review the carrying value of our available-for-sale securities. If we deem an unrealized loss to be other-than-temporary, we will record an impairment charge. Our process for identifying an other-than-temporary decline in the fair value of our investments involves consideration of (i) the duration of a significant decline in value, (ii) the liquidity, business prospects and overall financial condition of the issuer, (iii) the magnitude of the decline, (iv) the collateral structure and other credit support, as applicable, and (v) the more-than-likely intention to hold the investment until the value recovers. Additionally, with respect to our evaluation of our investment in RCC, we also take into consideration our role as the external manager and the value of its management contract, which includes a substantial termination fee. When the analysis of the above factors results in a conclusion that a decline in fair value is other-than-temporary, we record an impairment charge and the cost of our investment is written down to fair value.

Our trading securities are recorded at fair value with unrealized holding gains and losses included in earnings and reported in other income. These securities are valued at the closing price of the respective publicly-traded stock.

We recognize dividend income on our investment securities classified as available-for-sale on the ex-dividend date.

***Accounting for Income Taxes***

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and to recognize deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the our consolidated financial statements or tax returns.

We adjust the balance of our deferred taxes to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in net earnings in the period during which such changes are enacted. Valuation allowances are established and adjusted, when necessary, to reduce deferred tax assets to the amounts expected to be realized. We assess our ability to realize deferred tax assets primarily based on the earnings history and future earnings potential of the legal entities through which the deferred tax assets will be realized.

***Goodwill and Intangible Assets***

Goodwill and other intangible assets have an indefinite life and are not amortized. Instead, a review for impairment is performed at least annually on May 31st or more frequently if events and circumstances indicate impairment might have occurred. We test our goodwill at the reporting unit level using a two-step process. The first step is a screen for potential impairment by comparing the fair value of a reporting unit to its carrying value. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is considered not impaired and no further testing is required. If the fair value is less than the carrying value, step two is completed to measure the amount of impairment, if any. In step two, the implied fair value of goodwill is compared to its carrying amount. The implied fair value of goodwill is computed by subtracting the sum of the fair values of the individual asset categories (tangible and intangible) from the indicated fair value of the reporting unit as determined under step one. An impairment charge is recognized to the extent that the carrying amount of goodwill exceeds its implied fair value.

We utilize several approaches, including discounted expected cash flows, market data and comparable sales transactions to estimate the fair value of the reporting unit for our impairment review of goodwill. These approaches require assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows, market multiples, and discount rates, which are based on the current economic environment and credit market conditions.

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We have goodwill of $8.0 million, which was transferred to LEAF in the January 2011 transaction. We test this goodwill annually in May for impairment. Based on a third-party valuation, we concluded that, as of May 31, 2011, there has been no impairment of our goodwill.

Long-lived assets and identifiable intangibles with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

In fiscal 2007, we acquired customer relationships with third-party lease originators, which is classified as a customer related intangible asset. We had been amortizing the intangible asset over the expected useful life of the asset and had continually monitored it for recoverability. During the three months ended September 30, 2010, we determined that this asset ceased to have future value, and accordingly, recorded an impairment loss of $2.8 million.

***Derivative Instruments***

Our policies permit us to enter into derivative contracts, including interest rate swaps to add stability to our financing costs and to manage our exposure to interest rate movements or other identified risks. We have designed these transactions as cash flow hedges. The contracts or hedge instruments are evaluated at inception and at subsequent balance sheet dates to determine if they continue to qualify for hedge accounting and, accordingly, derivatives are recognized on the balance sheet at fair value. U.S. GAAP requires recognition of all derivatives at fair value as either assets or liabilities in the consolidated balance sheets. We record changes in the estimated fair value of the derivative in accumulated other comprehensive income (loss) to the extent that it is effective. Any ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

***Recent Accounting Standards***

Accounting Standards Issued But Not Yet Effective

The Financial Accounting Standards Board, or FASB, has issued the following accounting standards, which were not yet effective for us as of September 30, 2011:

*Testing Goodwill for Impairment.* In December 2010 and again in September 2011, the FASB issued guidance with respect to testing goodwill for impairment. In connection with the November 2011 LCC transaction (see Note 27 to the notes to our consolidated financial statements in Item 8 of this report) and resulting deconsolidation of LEAF, we will no longer reflect goodwill on our balance sheet. Accordingly, these amendments will not have an impact on our financial statements.

*Comprehensive Income (Loss).* In June 2011, the FASB issued an amendment to eliminate the option to present components of other comprehensive income (loss) as part of the statement of changes in stockholders' equity. The amendment requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income (loss) or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income (loss) and its components followed consecutively by a second statement that should present total other comprehensive income (loss), the components of other comprehensive income (loss), and the total of comprehensive income (loss). We plan to provide the disclosures as required by this amendment beginning October 1, 2012.

*Fair Value Measurements.* In May 2011, the FASB issued an amendment to revise the wording used to describe the requirements for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments to result in a change in the application of the current requirements. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements, such as specifying that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements such as specifying that, in the absence of a Level 1 input, a reporting entity should apply premiums or discounts when market participants would do so when pricing the asset or liability. This guidance will become effective for us beginning January 1, 2012. We are currently evaluating the impact this amendment will have, if any, on our financial statements.

Newly-Adopted Accounting Principles

The adoption of the following standards during fiscal 2011 did not have a material impact on our consolidated financial position, results of operations or cash flows:

*Troubled Debt Restructurings.* In fiscal 2010, the FASB issued guidance that requires the disclosure of more detailed information on the nature and extent of troubled debt restructurings and their effect on the allowance for loan and lease losses. In April 2011, the FASB issued additional guidance related to determining whether a creditor has granted a concession, including factors and examples for creditors to consider in evaluating whether a restructuring results in a delay in payment that is insignificant, prohibits creditors from using the borrower's effective rate test to evaluate whether a concession has been granted to the borrower, and adds factors for creditors to use in determining whether a borrower is experiencing financial difficulties.

*Transfers of Financial Assets.* In June 2009, the FASB amended prior guidance on accounting for transfers of financial assets. The new pronouncement changes the derecognition guidance for the transferors of financial assets, eliminates the exemption from consolidation for qualifying special-purpose entities and requires additional disclosures about all transfers of financial assets.

*Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* In July 2010, the FASB issued guidance that requires companies to provide more information about the credit quality of their financing receivables including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators. We have provided the required disclosures in the notes to our consolidated financial statements.

*Variable Interest Entities.* In June 2009, the FASB issued guidance to revise the approach to determine when a VIE should be consolidated. The new consolidation model for VIEs considers whether the company has the power to direct the activities that most significantly impact the VIE's economic performance and shares in the significant risks and rewards of the entity. The guidance on VIEs requires companies to continually reassess VIEs to determine if consolidation is appropriate and to provide additional disclosures.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The following is a discussion of our quantitative and qualitative market risks as of September 30, 2011. Given the deconsolidation of LEAF in November 2011, as discussed in Item 1 of this report, we have separately presented the market risks associated with our commercial finance operations as these risks will be eliminated in our subsequent filings.

### Interest Rate Risk

We are exposed to various market risks from changes in interest rates. Fluctuations in interest rates can impact our results of operations, cash flows and financial position. We manage this risk through regular operating and financing activities. We have not entered into any market sensitive instruments for trading purposes. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market interest rates. The range of changes presented reflects our view of changes that are reasonably possible over a one-year period and provides indicators of how we view and manage our ongoing market risk exposures. Our analysis does not consider other possible effects that could impact our business.

At September 30, 2011, we had two secured revolving credit facilities and one term loan for general business use. Weighted average borrowings on these facilities were $11.8 million for fiscal 2011 at an effective interest rate of 6.5% on outstanding borrowings. A hypothetical 10% change in the interest rate on these facilities would change our annual interest expense by $78,000.

Our $18.8 million of 12% Senior Notes are at a fixed rate of interest and are, therefore, not subject to interest rate fluctuation.

### Commercial Finance Market Risks

*Market risk.* Market risk is the risk of losses arising from changes in values of financial instruments. We are exposed to market risks associated with changes in interest rates and our earnings may fluctuate with changes in interest rates. The lease assets we originate are almost entirely fixed-rate. Accordingly, we seek to finance these assets with fixed interest rate debt or to fix interest rates through derivatives.

*Interest rate risk.* At September 30, 2011, we had commercial finance debt outstanding of $150.0 million, of which $105.0 million is through the Guggenheim credit facility and is at a variable interest rate. Accordingly, to mitigate interest rate risk on the variable rate debt, we employed a hedging strategy using derivative financial instruments such as interest rate swaps, which effectively fixed the interest rate on this facility at 4.84% on a weighted average basis. At September 30, 2011, the notional amounts of our four interest rate swaps were $60.6 million. The interest rate swap agreements terminate on March 15, 2015.

The following sensitivity analysis table shows the estimated impact of changes in interest rates on the fair value of our interest rate-sensitive commercial finance investments and liabilities at September 30, 2011, gross of accrued interest of $38,000, assuming that rates instantaneously fall 100 basis points and rise 100 basis points (in thousands, except percentages):

| | Interest rates fall 100 basis points | Unchanged | Interest rates rise 100 basis points |
|---|---|---|---|
| Hedging instruments: | | | |
| Fair value | (1,037) | (442) | 445 |
| Change in fair value | (595) | | 887 |
| Change as percent of fair value | 135% | | 201% |

It is important to note that the impact of changing interest rates on fair value can change significantly when interest rates change beyond 100 basis points from current levels. Therefore, the volatility in the fair value of our assets could increase significantly when interest rates change beyond 100 basis points from current levels. In addition, other factors impact the fair value of our interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, in the event of changes in actual interest rates, the change in the fair value of our assets would likely differ from that shown above and such difference might be material and adverse to our partners.

As a result of the LEAF transaction in January 2011, we consolidate LEAF Funding 3 with its portfolio of fixed rate leases and loans and corresponding $84.8 million of equipment-backed notes. These notes were issued at a fixed rate of interest and are, therefore, not subject to interest rate fluctuation.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
**RESOURCE AMERICA, INC.**

We have audited the accompanying consolidated balance sheets of Resource America, Inc. (a Delaware corporation) and subsidiaries (the Company) as of September 30, 2011 and 2010, and the related consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended September 30, 2011. Our audits of the basic consolidated financial statements included the financial statement schedules listed in the index appearing under Item 15(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Resource America, Inc. and subsidiaries as of September 30, 2011 and 2010 and the consolidated results of their operations and cash flows for each of the three years in the period ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Resource America, Inc. and subsidiaries internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 12, 2011, expressed an unqualified opinion.

**/s/ GRANT THORNTON LLP**

Philadelphia, Pennsylvania
December 12, 2011

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**RESOURCE AMERICA, INC.**
**CONSOLIDATED BALANCE SHEETS**
(in thousands, except share data)

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 24,455 | $ 11,243 |
| Restricted cash | 20,257 | 12,018 |
| Receivables | 1,981 | 1,671 |
| Receivables from managed entities and related parties, net | 54,815 | 66,416 |
| Investments in commercial finance, net | 192,012 | 12,176 |
| Investments in real estate, net | 18,998 | 27,114 |
| Investment securities, at fair value | 15,124 | 22,358 |
| Investments in unconsolidated entities | 12,710 | 13,825 |
| Property and equipment, net | 7,942 | 9,984 |
| Deferred tax assets, net | 51,581 | 43,292 |
| Goodwill | 7,969 | 7,969 |
| Other assets | 14,662 | 5,776 |
| Total assets | $ 422,506 | $ 233,842 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| Liabilities: | | |
| Accrued expenses and other liabilities | $ 40,887 | $ 38,492 |
| Payables to managed entities and related parties | 1,232 | 156 |
| Borrowings | 222,659 | 66,110 |
| Total liabilities | 264,778 | 104,758 |
| | | |
| Commitments and contingencies | | |
| | | |
| Equity: | | |
| Preferred stock, $1.00 par value, 1,000,000 shares authorized; none outstanding | – | – |
| Common stock, $.01 par value, 49,000,000 shares authorized; 28,779,998 and 28,167,909 shares issued, respectively (including nonvested restricted stock of 649,007 and 741,086, respectively) | 281 | 274 |
| Additional paid-in capital | 281,686 | 281,378 |
| Accumulated deficit | (48,032) | (37,558) |
| Treasury stock, at cost; 9,126,966 and 9,125,253 shares, respectively | (98,954) | (99,330) |
| Accumulated other comprehensive loss | (14,613) | (12,807) |
| Total stockholders' equity | 120,368 | 131,957 |
| Noncontrolling interests | 37,360 | (2,873) |
| Total equity | 157,728 | 129,084 |
| | $ 422,506 | $ 233,842 |

The accompanying notes are an integral part of these statements

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**RESOURCE AMERICA, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
(in thousands, except per share data)

| | Years Ended September 30, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **REVENUES:** | | | |
| Real estate | $ 38,380 | $ 31,911 | $ 25,417 |
| Financial fund management | 25,841 | 33,140 | 33,344 |
| Commercial finance | 21,795 | 23,677 | 48,767 |
| | 86,016 | 88,728 | 107,528 |
| **COSTS AND EXPENSES:** | | | |
| Real estate | 24,465 | 20,780 | 22,038 |
| Financial fund management | 20,562 | 21,028 | 20,468 |
| Commercial finance | 15,207 | 18,164 | 25,179 |
| General and administrative | 11,522 | 12,972 | 14,369 |
| (Gain) loss on sale of leases and loans | (659) | 8,097 | (628) |
| Impairment of intangibles | – | 2,828 | – |
| Provision for credit losses | 10,661 | 5,209 | 8,604 |
| Depreciation and amortization | 10,739 | 7,842 | 6,922 |
| | 92,497 | 96,920 | 96,952 |
| **OPERATING (LOSS) INCOME** | (6,481) | (8,192) | 10,576 |
| | | | |
| **OTHER INCOME (EXPENSE):** | | | |
| Impairment loss recognized in earnings | – | (809) | (8,539) |
| Gain on sale of management contract | 6,520 | – | – |
| Gain on extinguishment of servicing and repurchase liabilities | 4,426 | – | – |
| Loss on sale of investment securities, net | (1,198) | (451) | (11,981) |
| Interest expense | (15,343) | (13,086) | (20,199) |
| Other income, net | 2,242 | 2,591 | 3,549 |
| | (3,353) | (11,755) | (37,170) |
| Loss from continuing operations before taxes | (9,834) | (19,947) | (26,594) |
| Income tax benefit | (4,607) | (2,650) | (10,504) |
| Loss from continuing operations | (5,227) | (17,297) | (16,090) |
| (Loss) income from discontinued operations, net of tax | (2,202) | 622 | (444) |
| Net loss | (7,429) | (16,675) | (16,534) |
| Add: net (income) loss attributable to noncontrolling interests | (799) | 3,224 | 1,603 |
| **Net loss attributable to common shareholders** | $ (8,228) | $ (13,451) | $ (14,931) |
| | | | |
| **Amounts attributable to common shareholders:** | | | |
| Loss from continuing operations | $ (6,026) | $ (14,073) | $ (14,487) |
| Discontinued operations | (2,202) | 622 | (444) |
| Net loss | $ (8,228) | $ (13,451) | $ (14,931) |
| | | | |
| **Basic and Diluted loss per share:** | | | |
| Continuing operations | $ (0.31) | $ (0.74) | $ (0.78) |
| Discontinued operations | (0.11) | 0.03 | (0.03) |
| Net loss | $ (0.42) | $ (0.71) | $ (0.81) |
| Weighted average shares outstanding | 19,525 | 18,942 | 18,507 |
| | | | |
| **Dividends declared per common share** | $ 0.12 | $ 0.09 | $ 0.20 |

The accompanying notes are an integral part of these statements

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# RESOURCE AMERICA, INC.
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009
(in thousands)

| | Attributable to Common Shareholders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-In Capital | Retained Earnings (Accumulated Deficit) | Treasury Stock | Accumulated Other Comprehensive (Loss) Income | Total Stockholders' Equity | Noncontrolling Interest | Total Equity | Comprehensive (Loss) Income |
| Balance, October 1, 2008 | 269 | 269,689 | (3,980) | (101,440) | (20,805) | 143,733 | 2,610 | 146,343 | |
| Net loss | – | – | (14,931) | – | – | (14,931) | (1,603) | (16,534) | $ (16,534) |
| Issuance of common shares | 3 | – | – | – | – | 3 | – | 3 | |
| Treasury shares issued | – | (650) | – | 1,073 | – | 423 | – | 423 | |
| Stock-based compensation | – | 613 | – | – | – | 613 | – | 613 | |
| Restricted stock awards | – | 3,615 | – | – | – | 3,615 | 2 | 3,617 | |
| Issuance of warrants in Senior Notes offering | – | 4,941 | – | – | – | 4,941 | – | 4,941 | |
| Purchase of subsidiary stock held by a noncontrolling stockholder | – | (264) | – | – | – | (264) | – | (264) | |
| Cash dividends | – | – | (3,560) | – | – | (3,560) | – | (3,560) | |
| Distributions | – | – | – | – | – | – | (72) | (72) | |
| Other | – | – | – | – | – | – | (1,831) | (1,831) | |
| Other comprehensive income | – | – | – | – | 5,245 | 5,245 | 1,217 | 6,462 | 6,462 |
| Balance, October 1, 2009 | 272 | 277,944 | (22,471) | (100,367) | (15,560) | 139,818 | 323 | 140,141 | $ (10,072) |
| Net loss | – | – | (13,451) | – | – | (13,451) | (3,224) | (16,675) | $ (16,675) |
| Issuance of common shares | 2 | 56 | – | – | – | 58 | – | 58 | |
| Treasury shares issued | – | (655) | – | 1,037 | – | 382 | – | 382 | |
| Stock-based compensation | – | 226 | – | – | – | 226 | – | 226 | |
| Restricted stock awards | – | 2,765 | – | – | – | 2,765 | 46 | 2,811 | |
| Issuance of warrants | – | 1,042 | – | – | – | 1,042 | – | 1,042 | |
| Cash dividends | – | – | (1,636) | – | – | (1,636) | – | (1,636) | |
| Other | – | – | – | – | – | – | 7 | 7 | |
| Other comprehensive income (loss) | – | – | – | – | 2,753 | 2,753 | (25) | 2,728 | 2,728 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Balance, October 1, 2010 | 274 | 281,378 | (37,558) | (99,330) | (12,807) | 131,957 | (2,873) | 129,084 | $ (13,947) |
| Net loss | – | – | (8,228) | – | – | (8,228) | 799 | (7,429) | $ (7,429) |
| Issuance of common shares | 7 | 1,907 | – | – | – | 1,914 | – | 1,914 | |
| Treasury shares issued | – | (320) | – | 617 | – | 297 | – | 297 | |
| Stock-based compensation | – | 165 | – | – | – | 165 | – | 165 | |
| Repurchases of common stock | – | – | – | (241) | – | (241) | – | (241) | |
| Restricted stock awards | – | 2,023 | – | – | – | 2,023 | 40 | 2,063 | |
| Cash dividends | – | – | (2,246) | – | – | (2,246) | – | (2,246) | |
| Noncontrolling interests related to LEAF (see Notes 16 and 27) | – | (3,467) | – | – | – | (3,467) | 39,418 | 35,951 | |
| Other comprehensive loss | – | – | – | – | (1,806) | (1,806) | (24) | (1,830) | (1,830) |
| Balance, September 30, 2011 | $ 281 | $ 281,686 | $ (48,032) | $ (98,954) | $ (14,613) | $ 120,368 | $ 37,360 | $157,728 | $ (9,259) |

The accompanying notes are an integral part of these statements

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**RESOURCE AMERICA, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(in thousands)

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net loss | $ (7,429) | $ (16,675) | $ (16,534) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | | |
| Depreciation and amortization | 15,780 | 12,088 | 8,876 |
| Net other-than-temporary impairment losses recognized in earnings | – | 809 | 8,539 |
| Impairment of intangibles | – | 2,828 | – |
| Provision for credit losses | 10,661 | 5,209 | 8,604 |
| Equity in earnings of unconsolidated entities | (10,377) | (4,870) | (1,279) |
| Distributions from unconsolidated entities | 4,522 | 5,104 | 6,128 |
| (Gain) loss on sale of leases and loans | (659) | 8,097 | (628) |
| Loss on sale of loans and investment securities, net | 1,198 | 451 | 11,981 |
| Gain on sale of assets | – | (2,420) | (642) |
| Gain on sale of management contract | (6,520) | – | – |
| Extinguishment of servicing and repurchase liabilities | (4,426) | – | – |
| Deferred income tax benefits | (5,657) | (4,564) | (13,249) |
| Equity-based compensation issued | 2,525 | 3,573 | 4,654 |
| Equity-based compensation received | (463) | (1,441) | (867) |
| Decrease (increase) in commercial finance investments | – | 17,603 | (37,330) |
| Loss (income) from discontinued operations | 2,202 | (622) | 444 |
| Changes in operating assets and liabilities | (2,624) | 1,911 | (19,853) |
| **Net cash (used in) provided by operating activities** | (1,267) | 27,081 | (41,156) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Capital expenditures | (1,165) | (782) | (335) |
| Payments received on real estate loans and real estate | 16,291 | 8,563 | 10,052 |
| Investments in unconsolidated real estate entities | (2,371) | (1,821) | (4,694) |
| Purchase of commercial finance assets | (105,777) | (11,771) | (41,942) |
| Principal payments received on leases and loans | 29,056 | – | 50,307 |
| Proceeds from sale of management contract | 9,095 | – | – |
| Purchase of loans and investments | – | (1,445) | (19,290) |
| Proceeds from sale of loans and investments | 3,779 | 4,094 | 5,367 |
| **Net cash used in investing activities** | (51,092) | (3,162) | (535) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Increase in borrowings | 106,043 | 103,401 | 438,897 |
| Principal payments on borrowings | (55,778) | (128,767) | (395,905) |
| Dividends paid | (2,246) | (1,636) | (3,560) |
| Proceeds from issuance of common stock | 1,914 | 58 | 3 |
| Repurchase of common stock | (241) | – | – |
| Proceeds from issuance of LEAF preferred stock | 15,221 | – | – |
| Preferred stock dividends paid by LEAF to RCC | (305) | – | – |
| Repayment from managed entity on RCC lease portfolio purchase | – | – | 4,500 |
| Decrease (increase) in restricted cash | 4,530 | (9,277) | 10,297 |
| Other | (2,299) | (2,652) | (812) |
| **Net cash provided by (used in) financing activities** | 66,839 | (38,873) | 53,420 |
| **CASH FLOWS FROM DISCONTINUED OPERATIONS:** | | | |
| Operating activities | (1,268) | – | (2) |
| Financing activities | – | – | (440) |
| **Net cash used in discontinued operations** | (1,268) | – | (442) |
| **Increase (decrease) in cash** | 13,212 | (14,954) | 11,287 |
| **Cash, beginning of year** | 11,243 | 26,197 | 14,910 |
| **Cash, end of year** | $ 24,455 | $ 11,243 | $ 26,197 |

The accompanying notes are an integral part of these statements

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**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**SEPTEMBER 30, 2011**

## NOTE 1 - NATURE OF OPERATIONS

Resource America, Inc. (the "Company") (NASDAQ: REXI) is a specialized asset management company that uses industry specific expertise to evaluate, originate, service and manage investment opportunities through its real estate, commercial finance and financial fund management operating segments. As a specialized asset manager, the Company seeks to develop investment funds for outside investors for which the Company provides asset management services, typically under long-term management and operating arrangements either through a contract with, or as the manager or general partner of, the sponsored fund. The Company limits its investment funds to investment areas where it owns existing operating companies or has specific expertise. The Company manages assets on behalf of institutional and individual investors and Resource Capital Corp. ("RCC") (NYSE: RSO), a diversified real estate finance company that qualifies as a real estate investment trust ("REIT").

All references to "fiscal", unless otherwise noted, refer to the Company's fiscal year, which ends on September 30. For example, a reference to "fiscal 2011" means the 12-month period that ended on September 30, 2011. All references to quarters, unless otherwise noted, refer to the quarters of the Company's fiscal year.

The Company conducts real estate operations through the following subsidiaries:

- Resource Capital Partners, Inc. acts as the general partner for most of the Company's real estate investment entities and provides asset management services to the entire portfolio;
- Resource Real Estate Management, Inc. ("Resource Residential") provides property management services to the entire multifamily apartment portfolio, including fund assets, distressed assets and joint venture assets;
- Resource Real Estate Funding, Inc., on behalf of RCC, manages the commercial real estate debt portfolio comprised principally of A notes, whole mortgage loans, mortgage participations, B notes, mezzanine debt and related commercial real estate securities. In addition, it manages a separate portfolio of discounted real estate and real estate loans; and
- Resource Real Estate, Inc. manages loans, owned assets and ventures, which are collectively referred to as the "legacy portfolio."

The Company conducts its financial fund management operations primarily through the following six operating entities:

- Apidos Capital Management, LLC ("Apidos"), finances, structures and manages investments in bank loans, high yield bonds and equity investments through collateralized debt obligation ("CDO") issuers, managed accounts and a credit opportunities fund;
- Trapeza Capital Management, LLC ("TCM"), a joint venture between us with an unrelated third-party, originates, structures, finances and manages investments in trust preferred securities and senior debt securities of banks, bank holding companies, insurance companies and other financial companies through CDO issuers and related partnerships. TCM together with the Trapeza CDO issuers and Trapeza partnerships, are collectively referred to as Trapeza;
- Resource Financial Institutions Group, Inc. ("RFIG"), serves as the general partner for seven company-sponsored affiliated partnerships which invest in financial institutions;
- Ischus Capital Management, LLC ("Ischus"), finances, structures and manages investments in asset-backed securities ("ABS") including residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS");
- Resource Capital Markets, Inc., through the Company's registered broker-dealer subsidiary, Resource Securities, Inc., ("Resource Securities") (formerly Chadwick Securities, Inc.) acts as an agent in the primary and secondary markets for structured finance securities and manages accounts for institutional investors; and
- Resource Capital Manager, Inc. ("RCM"), an indirect wholly-owned subsidiary, provides investment management and administrative services to RCC under a management agreement between RCM and RCC.

The Company conducts its commercial finance operations through LEAF Commercial Capital, Inc. ("LEAF") and LEAF Financial Corporation ("LEAF Financial"). LEAF Financial sponsored and manages four publicly-held investment entities as the general and limited partner or managing member and originated and acts as the servicer of the leases and loans sold to those entities.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 1 - NATURE OF OPERATIONS– (Continued)

*LEAF Commercial Capital, Inc.* On January 4, 2011, LEAF Financial Corporation, the Company's commercial finance subsidiary, raised or obtained commitments for up to $236.0 million of equity and debt capital to expand its leasing platform through LEAF Commercial Capital, Inc., its new lease origination and servicing subsidiary, through contributions from LEAF Financial, RCC and Guggenheim Securities, LLC and its affiliate ("Guggenheim"). LEAF Financial contributed its leasing platform and directly held leases and loans, while RCC committed to investing up to $36.2 million of capital in the form of preferred stock and warrants (exercisable into LEAF common stock). A portion of RCC's investment consisted of the contribution of leases and loans it had previously acquired from LEAF Financial. Guggenheim arranged a new financing facility for LEAF of $110.0 million, which can be expanded up to $200.0 million upon mutual agreement, to fund new originations (see Note 12).

As of September 30, 2011, RCC had fully funded its commitment to LEAF and, accordingly, owns a total of a 3,743 shares of LEAF Series A preferred stock (including paid-in-kind, or PIK shares) and has warrants to purchase 4,800 shares of LEAF common stock at an exercise price of $0.01 per share (representing 48% of LEAF's common stock on a fully-diluted basis). For the 2011 calendar year, the preferred stock carried a coupon of 10%, of which 2% was paid in cash and 8% was PIK. For the nine months ended September 30, 2011, the PIK interest of $2.0 million was converted into approximately 1,974 shares of preferred stock (including 752 shares that were issued in October 2011).

In addition, LEAF issued to Guggenheim a warrant to purchase up to 500 shares of LEAF common stock (exercise price of $0.01 per share) as well as the right, as amended, to acquire up to an additional 150 shares of LEAF common stock from LEAF on the same terms (representing 6.5% of LEAF's common stock on a fully-diluted basis), if by December 31, 2011, specified ratings targets for the notes issued in connection with the Guggenheim credit facility have not been obtained.

Subsequent to fiscal 2011, on November 16, 2011, the Company obtained an additional outside investment in LEAF by a third-party private equity firm (the "November 2011 LCC Transaction" see Note 27). As a result of this investment, the Company's equity interest in LEAF was reduced from 78.7% to 15.7% (on a fully diluted basis). Accordingly, the Company has determined that it no longer controls LEAF, and, effective with that investment, has deconsolidated it for financial statement purposes. On a go-forward basis, the Company will reflect its investment in LEAF under the equity method of accounting.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The consolidated financial statements reflect the Company's accounts and the accounts of the Company's majority-owned and/or controlled subsidiaries. The Company also consolidates entities that are variable interest entities ("VIEs") where it has determined that it is the primary beneficiary of such entities. Once it is determined that the Company holds a variable interest in a VIE, management must perform a qualitative analysis to determine (i) if the Company has the power to direct the matters that most significantly impact the VIE's financial performance; and (ii) if the Company has the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive the benefits of the VIE that could potentially be significant to the VIE. If the Company's interest possesses both of these characteristics, the Company is deemed to be the primary beneficiary and would be required to consolidate the VIE. This assessment must be done on an ongoing basis. The portions of these entities that the Company does not own are presented as noncontrolling interests as of the dates and for the periods presented in the consolidated financial statements.

Variable interests in the Company's real estate segment have historically related to subordinated financings in the form of mezzanine loans or unconsolidated real estate interests. As of September 30, 2011 and 2010, the Company had one such variable interest that it consolidated. The Company will continually assess its involvement with VIEs and reevaluate the requirement to consolidate them. See Note 9 for additional disclosures pertaining to VIEs.

All intercompany transactions and balances have been eliminated in the Company's consolidated financial statements.

### Reclassifications and Revisions

Certain reclassifications and revisions have been made to the fiscal 2010 and 2009 consolidated financial statements to conform to the fiscal 2011 presentation. For all years presented, deferred tax liabilities, which were previously disclosed separately, have been reclassed and are reflected together with deferred tax assets in the consolidated balance sheets. The components of the deferred tax assets and liabilities are disclosed in Note 17.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### Deconsolidation of Entities

*Apidos CDO VI.* In December 2007, the Company acquired for $21.3 million all of the equity interest of Apidos CDO VI and consolidated it. In March 2009, the Company agreed to all the terms and conditions to sell its interest in Apidos CDO VI and assign its investment management responsibilities to the buyer. This transaction settled on May 6, 2009. As a result of the agreement and sale, the Company deconsolidated Apidos CDO VI from its consolidated financial statements as of March 31, 2009 and recognized a loss of $11.6 million on the transaction.

*LEAF Commercial Finance Fund ("LCFF").* LCFF was a single member limited liability company that owned a portfolio of leases and loans. LEAF Financial was the sole member and the managing member of LCFF and, accordingly, consolidated LCFF. In March 2009, the Company transferred its economic interest in LCFF to a jointly owned limited liability company. The Company determined that LCFF was a VIE for which the primary beneficiary was the limited liability company and, accordingly, no longer consolidates LCFF. Since the sale was at book value, the Company recognized no gain or loss as a result of the transaction.

### Use of Estimates

Preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and costs and expenses during the reporting period. The Company makes estimates of its allowance for credit losses, the valuation allowance against its deferred tax assets, discounts and collectability of management fees, the valuation of stock-based compensation, servicing liability and repurchase obligation, allowance for lease and loan losses, and in determining whether a decrease in the fair value of an investment is an other-than-temporary impairment. Significant estimates for the commercial finance segment include the unguaranteed residual values of leased equipment, impairment of long-lived assets and goodwill and the fair value and effectiveness of interest rate swaps. The financial fund management segment makes assumptions in determining the fair value of its investments in securities available-for-sale and in estimating the liability, if any, for clawback provisions on certain of its partnership interests. The Company used assumptions, specifically inputs to the Black-Scholes pricing model and the discounted cash flow model, in computing the fair value of the 12% senior notes and warrants that it issued and sold in September and October 2009. Actual results could differ from these estimates.

### Investments in Unconsolidated Entities

The Company accounts for the investments it has in the real estate, commercial finance and financial fund management investment entities it has sponsored and manages under the equity method of accounting since the Company has the ability to exercise significant influence over the operating and financial decisions of these entities. To the extent that there is a negative balance in the investment for any of these entities, these balances are reclassified to reduce the receivable from such entities.

*Real estate.* The Company has sponsored and manages eight real estate limited partnerships, four limited liability companies, a corporation operating as a REIT and six tenant in common ("TIC") property interest programs that invest in multifamily residential properties. The Company's combined interests in these investment entities range from approximately 2% to 10%.

*Financial fund management.* The Company has general and limited partnership interests in seven company-sponsored and managed partnerships that invest in regional banks. The Company's combined general and limited partnership interests in these partnerships range from 5% to 11%. The Company also manages and has a combined 3% general and limited partnership interest in an affiliated partnership organized as a credit opportunities fund that invests in bank loans and high yield bonds.

*Commercial finance.* The Company has interests in four company-sponsored commercial finance investment partnerships. The Company's combined general and limited partner interests in these partnerships range from approximately 1% to 6%.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS − (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### Concentration of Credit Risk

The Company's receivables from managed entities are comprised of unsecured amounts due from its investment entities and other affiliated entities, which the Company has sponsored and manages. The Company evaluates the collectability of these receivables and records an allowance to the extent any portion of that receivable is determined to be uncollectible. Additionally, the Company records a discount where it determines that any of the entities will be unable to repay the Company in the near term. In the event that any of these entities fail, the corresponding receivable balance would be at risk.

In addition, financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of periodic temporary investments of cash and restricted cash. The Company places its temporary cash investments and restricted cash in high quality short-term money market instruments with high-quality financial institutions and brokerage firms. At September 30, 2011, the Company had $14.1 million (excluding restricted cash) in interest bearing deposits at various banks, which was over the temporary insurance limit of the Federal Deposit Insurance Corporation of $250,000, or in deposit in foreign banks, or in brokerage accounts where no insurance coverage is available. No losses have been experienced on such investments.

### Restricted Cash

The restricted cash at September 30, 2011 of $20.3 million primarily included $10.4 million of payments made by LEAF customers to a lockbox which were being processed by the bank as well as $6.9 million held in a prefunding account comprised of proceeds from the commercial finance credit facility which are restricted from use until sufficient commercial finance leases and loans have been originated to be pledged as collateral. In addition, at September 30, 2011, there was $2.2 million of proceeds from the sale of the Company's management contract for Resource Europe CLO I ("REM I") held in restricted cash for the required October 2011 paydown of the Company's corporate credit facility. Restricted cash at September 30, 2010 of $12.0 million primarily included $10.1 million of proceeds from the $21.5 million commercial finance bridge loan held for the purchase of leases and loans and $1.4 million held in escrow for a real estate property investment.

### Foreign Currency Translation

Foreign currency transaction gains and losses of the Company's European operations are recognized in the determination of net income. Foreign currency translation adjustments related to these foreign operations are included in net income in fiscal 2011 due the sale of the Company's management contract and interest in REM I.

### Revenue Recognition – Fee Income

*RCC management fees.* The Company earns a base management and incentive management fee for managing RCC (see Note 20). In addition, the Company is reimbursed for its expenses incurred on behalf of RCC and its operations and property management fees. Management fees, property management fees and reimbursed expenses are recognized monthly when earned. In addition, in February 2011, the Company entered into a services agreement with RCC to provide subadvisory collateral management and administrative services for five CDOs holding approximately $1.7 billion in bank loans. In connection with the services provided, RCC will pay the Company 10% of all base and additional collateral management fees and 50% of all incentive collateral management fees it collects.

The quarterly incentive compensation to the Company is payable seventy-five percent (75%) in cash and twenty-five percent (25%) in restricted shares of RCC common stock. The Company may elect to receive more than 25% of its incentive compensation in RCC restricted stock. However, the Company's ownership percentage in RCC, direct and indirect, cannot exceed 15%. All shares are fully vested upon issuance, provided that the Company may not sell such shares for one year after the incentive compensation becomes due and payable. The restricted stock is valued at the average of the closing prices of RCC common stock over the thirty-day period ending three days prior to the issuance of such shares.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### Revenue Recognition – Fee Income – (Continued)

In fiscal 2011, 2010 and 2009, the management, incentive, servicing and acquisition fees that the Company received from RCC were 14%, 12% and 8%, respectively, of the Company's consolidated revenues. These fees have been allocated and, accordingly, are reported as revenues by each of the Company's operating segments.

*Real estate fees.* The Company records acquisition fees of 1% to 2% of the net purchase price of properties acquired by real estate investment entities it sponsors and financing fees equal to 0.5% to 5.0% of the debt obtained or assumed related to the properties acquired. The Company recognizes these fees when its sponsored entities acquire the properties and obtain the related financing.

The Company records a monthly property management fee equal to 4.5% to 5% of the gross operating revenues from the underlying properties and a monthly debt management fee equal to 0.167% (2% per year) of the gross offering proceeds deployed in debt investments. The Company recognizes these fees monthly when earned.

Additionally, the Company records an annual investment management fee from its limited partnerships equal to 1% of the gross offering proceeds of each partnership. The Company records an annual asset management fee from its TIC programs equal to 1% to 2% of the gross revenues from the properties. These investment management fees and asset management fees are recognized monthly when earned and are discounted to the extent that these fees are deferred.

The Company records quarterly asset management fees from its joint ventures with an institutional partner, which range from 0.833% to 1% of the gross funds invested in distressed real estate loans and assets. The Company recognizes these fees monthly.

*Financial fund management fees.* The Company earns monthly investment and management fees on assets held in CDOs on behalf of institutional and individual investors. These fees, which vary by CDO, range between 0.05% and 0.5% of the aggregate principal balance of eligible collateral held by the CDOs. These investment management fees and asset management fees are recognized monthly when earned and are discounted to the extent that these fees are deferred. Additionally, the Company records fees for managing the assets held by the partnerships or funds it has sponsored and for managing their general operations. These fees, which vary by limited partnership, range between 0.75% and 2% of the partnership or fund capital balance.

The Company also enters into management or advisory agreements for managing the assets held by third-parties. These fees, which vary by agreement, are recognized monthly when earned.

*Introductory agent fees.* The Company earns fees for acting as an introducing agent for transactions involving sales of securities of financial services companies, REITs and insurance companies. The Company recognizes these fees monthly when earned.

*Commercial finance fees.* The Company records acquisition fees from its leasing investment entities (based on a percentage of the cost of the leased equipment acquired) as compensation for expenses incurred by the Company related to the lease acquisition. Acquisition fees, which range from 1% to 2%, are earned at the time of the sale of the related leased equipment to the investment entities. The Company also records management fees from its investment entities for managing and servicing the leased assets acquired when the service is performed. The payment of such fees to the Company by each entity is contingent upon the partners receiving their specified annual distributions by each entity. During fiscal 2011 and 2010, the Company waived $8.1 million and $3.8 million of management fees from four of its investment entities since the actual distributions to the partners were less than the annual specified amounts. The ability of these entities to pay future management fees is uncertain. A discount is recorded where payment will not be received timely and an allowance is recorded where payment is determined to be uncollectible. However, the Company is paid for the operating and administrative expenses it incurs to manage these entities.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### Stock-Based Compensation

The Company values the restricted stock it issues based on the closing price of its stock on the date of grant. For stock option awards, the Company determines the fair value by applying the Black-Scholes pricing model. These equity awards are amortized to compensation expense over the respective vesting period, less an estimate for forfeitures.

### Earnings (Loss) Per Share

Basic earnings (loss) per share ("Basic EPS") is determined by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period, including participating securities. Diluted earnings (loss) per share ("Diluted EPS") is computed by dividing net income (loss) by the sum of the weighted average number of shares of common stock outstanding including participating securities, as well as after giving effect to the potential dilution from the exercise of securities, such as stock options and warrants, into shares of common stock as if those securities were exercised.

### Financing Receivables

Receivables from Managed Entities. The Company performs a review of the collectability of its receivables from managed entities on a periodic basis. If upon review there is an indication of impairment, the Company will analyze the future cash flows of the managed entity. With respect to the receivables from its commercial finance investment partnerships, this takes into consideration several assumptions by management, specifically concerning estimations of future bad debts and recoveries. For the receivables from the real estate investment entities for which there are indications of impairment, the Company estimates the cash flows through the sale of the underlying properties, which is based on projected net operating income as a multiple of published capitalization rates, which is then reduced by the underlying mortgage balances and priority distributions due to the investors in the entity.

Investments in Commercial Finance. The Company's investments in commercial finance consist primarily of direct financing leases, equipment loans, and operating leases.

*Direct financing leases.* Certain of the Company's lease transactions are accounted for as direct financing leases (as distinguished from operating leases). Such leases transfer substantially all benefits and risks of equipment ownership to the customer. The Company's investment in direct financing leases consists of the sum of the total future minimum contracted payments receivable and the estimated unguaranteed residual value of leased equipment, less unearned finance income. Unearned finance income, which is recognized as revenue over the term of the financing by the effective interest method, represents the excess of the total future minimum lease payments plus the estimated unguaranteed residual value expected to be realized at the end of the lease term over the cost of the related equipment. Initial direct costs incurred in the consummation of the lease are capitalized as part of the investment in lease receivables and amortized over the lease term as a reduction of the yield. The Company discontinues recognizing revenue for lease and loans for which payments are more than 90 days past due. Fees from delinquent payments are recognized when received.

*Equipment loans.* For term loans, the investment consists of the sum of the total future minimum loan payments receivable less unearned finance income. Unearned finance income, which is recognized as revenue over the term of the financing by the effective interest method, represents the excess of the total future minimum contracted payments over the original cost of the loan. For all other loans, interest income is recorded at the stated rate on the accrual basis to the extent that such amounts are expected to be collected.

*Operating leases.* Leases not meeting any of the criteria to be classified as direct financing leases are deemed to be operating leases. Under the accounting for operating leases, the cost of the leased equipment, including acquisition fees associated with lease placements, is recorded as an asset and depreciated on a straight-line basis over the equipment's estimated useful life, generally up to seven years. Rental income consists primarily of monthly periodic rental payments due under the terms of the leases. The Company recognizes rental income on a straight-line basis.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### Financing Receivables – (Continued)

During the lease term of existing operating leases, the Company may not recover all of the cost and related expenses of its rental equipment and, therefore, it is prepared to remarket the equipment in future years. The Company's policy is to review, on at least a quarterly basis, the expected economic life of its rental equipment in order to determine the recoverability of its undepreciated cost. The Company writes down its rental equipment to its estimated net realizable value when it is probable that its carrying amount exceeds such value and the excess can be reasonably estimated; gains are only recognized upon actual sale of the rental equipment. There were no write-downs of equipment during fiscal 2011, 2010, and 2009.

*Future payment card receivables.* Additionally, the Company has provided capital advances to small businesses based on future credit card receipts. The entire portfolio of future payment card receivables is on the cost recovery method whereby no income is recognized until the basis of the future payment card receivable has been fully recovered.

*Allowance for credit losses.* The Company evaluates the adequacy of the allowance for credit losses in commercial finance (including investments in leases and loans and future payment card receivables) based upon, among other factors, management's historical experience with the commercial finance portfolios it manages, an analysis of contractual delinquencies, economic conditions and trends, industry statistics and equipment finance portfolio characteristics, as adjusted for expected recoveries. In evaluating historic performance of leases and loans, the Company performs a migration analysis, which estimates the likelihood that an account progresses through delinquency stages to ultimate write-off. The Company fully reserves, net of recoveries, all leases and loans after they are 180 days past due.

Commercial finance receivables whose terms are modified are classified as troubled debt restructurings if the Company grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring typically involve a temporary deferral of scheduled payments, an extension of a commercial financial receivable's stated maturity date or a reduction in its interest rate. Non-accrual troubled debt restructurings can be restored to accrual status if principal and interest payments, under the modified terms, become current subsequent to the modification. Troubled debt restructurings are included in the Company's migration analysis for its commercial finance investments when evaluating the allowance for credit losses.

### Loans

*Real estate loans.* Real estate loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at the amount of unpaid principal, reduced by unearned income and an allowance for credit losses, if necessary. These loans are included in investments in real estate in the consolidated balance sheets. Interest on these loans is calculated based upon the principal amount outstanding. Accrual of interest is stopped on a loan when management believes, after considering economic factors, business conditions and collection efforts that the borrower's financial condition is such that collection of interest is doubtful.

An impaired real estate loan may remain on accrual status during the period in which the Company is pursuing repayment of the loan; however, the loan is placed on non-accrual status at such time as (i) management believes that contractual debt service payments will not be met; or (ii) the loan becomes 90 days delinquent; and (iii) management determines the borrower is incapable of, or has ceased efforts toward, curing the cause of the impairment. While on non-accrual status, the Company recognizes interest income only when an actual payment is received. Loans are charged off after being on non-accrual for a period of one year.

The Company maintains an allowance for credit losses for real estate loans at a level deemed sufficient to absorb probable losses. The Company considers general and local economic conditions, neighborhood values, competitive overbuilding, casualty losses and other factors that may affect the value of real estate loans. The value of loans and real estate may also be affected by factors such as the cost of compliance with regulations and liability under applicable environmental laws, changes in interest rates and the availability of financing. Income from a property will be reduced if a significant number of tenants are unable to pay rent or if available space cannot be rented on favorable terms. In addition, the Company reviews all credits on a quarterly basis and continually monitors collections and payments from its borrowers and maintains an allowance for credit losses based upon its historical experience and its knowledge of specific borrower collection issues. The Company reduces its investments in real estate loans and real estate by an allowance for amounts that may become unrealizable in the future.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### Investment Securities

The Company's investment securities available-for-sale, including investments in the CDO issuers it sponsored, are carried at fair value. The fair value of the CDO investments is based primarily on internally-generated expected cash flow models that require significant management judgment and estimates due to the lack of market activity and the use of unobservable pricing inputs. Investments in affiliated entities, including holdings in The Bancorp, Inc. ("TBBK") (NASDAQ: TBBK) and RCC, are valued at the closing price of the respective publicly-traded stock. The fair value of the cumulative net unrealized gains and losses on these investment securities, net of tax, is reported through accumulated other comprehensive income and loss. Realized gains and losses on the sale of investments are determined on the trade date on the basis of specific identification and are included in net operating results.

The Company recognizes a realized loss when it is probable there has been an adverse change in estimated cash flows of the security holder from what had been previously estimated. The security is then written down to fair value, and the unrealized loss is transferred from accumulated other comprehensive loss to the consolidated statements of operations as a charge to current earnings. The cost basis adjustment for an other-than-temporary impairment would be recoverable only upon the sale or maturity of the security.

Periodically, the Company reviews the carrying value of its available-for-sale securities. If the Company deems an unrealized loss to be other-than-temporary, it will record an impairment charge. The Company's process for identifying other-than-temporary declines in the fair value of its investments involves consideration of (i) the duration of a significant decline in value, (ii) the liquidity, business prospects and overall financial condition of the issuer, (iii) the magnitude of the decline, (iv) the collateral structure and other credit support, as applicable, and (v) the more-than-likely intention of the Company to hold the investment until the value recovers. Additionally, with respect to its evaluation of its investment in RCC, the Company also takes into consideration its role as the external manager and the value of its management contract, which includes a substantial termination fee. When the analysis of the above factors results in a conclusion that a decline in fair value is other-than-temporary, an impairment charge is recorded and the cost of the investment is written down to fair value.

The Company's trading securities are recorded at fair value with unrealized holding gains and losses included in earnings and reported in other income. These securities are valued at the closing price of the respective publicly-traded stock.

The Company recognizes dividend income on its investment securities classified as available-for-sale on the ex-dividend date.

### Property and Equipment

Property and equipment, which includes amounts recorded under capital leases, are stated at cost. Depreciation and amortization are based on cost, less estimated salvage value, using the straight-line method over the asset's estimated useful life. Maintenance and repairs are expensed as incurred. Major renewals and improvements that extend the useful lives of property and equipment are capitalized. The amortization of assets classified under capital leases is included in depreciation and amortization expense.

### Accounting for Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and to recognize deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns.

The Company adjusts the balance of its deferred taxes to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in net earnings in the period during which such changes are enacted. Valuation allowances are established and adjusted, when necessary, to reduce deferred tax assets to the amounts expected to be realized. The Company assesses its ability to realize deferred tax assets primarily based on the earnings history and future earnings potential of the legal entities through which the deferred tax assets will be realized.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### Servicing and Repurchase Liabilities

The Company routinely has sold its investments in commercial finance assets to its affiliated leasing partnerships and RCC, as well as to third parties. Leases and loans are accounted for as sold when control of the lease is surrendered. Control over the leases is deemed surrendered when (1) the leases have been transferred to the leasing partnership, RCC or third party, (2) the buyer has the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the leases and (3) the Company does not maintain effective control over the leases through either (a) an agreement that entitles and obligates the Company to repurchase or redeem the leases before maturity, or (b) the ability to unilaterally cause the buyer to return specific leases. Subsequent to these sales, the Company typically remains as the servicer for the leases and loans sold for which it generally receives a servicing fee of approximately 1% of the book value of the serviced portfolio. The assets and liabilities associated with the respective servicing agreements are typically not material and are offsetting, and accordingly, are not reflected in the Company's consolidated financial statements. However, during fiscal 2010, LEAF Financial sold a portfolio of leases and loans to RCC for which it recorded a $2.5 million liability for the estimated cost to service the portfolio. In conjunction with the formation of LEAF in January 2011, the remaining balance of the servicing and repurchase liabilities was eliminated and, accordingly, the Company recognized a gain of $4.4 million.

### Goodwill and Intangible Assets

Goodwill and other intangible assets have an indefinite life and are not amortized. Instead, a review for impairment is performed at least annually or more frequently if events and circumstances indicate impairment might have occurred. The Company tests its goodwill at the reporting unit level using a two-step process. The first step is a screen for potential impairment by comparing the fair value of a reporting unit to its carrying value. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is considered not impaired and no further testing is required. If the fair value is less than the carrying value, step two is completed to measure the amount of impairment, if any. In step two, the implied fair value of goodwill is compared to its carrying amount. The implied fair value of goodwill is computed by subtracting the sum of the fair values of the individual asset categories (tangible and intangible) from the indicated fair value of the reporting unit as determined under step one. An impairment charge is recognized to the extent that the carrying amount of goodwill exceeds its implied fair value.

The Company utilizes several approaches, including discounted expected cash flows, market data and comparable sales transactions to estimate the fair value of its reporting unit for its impairment review of goodwill. These approaches require assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows, market multiples, and discount rates, which are based on the current economic environment and credit market conditions.

In the January 2011 transaction, the $8.0 million balance of goodwill was transferred from LEAF Financial to LEAF. The Company tests this goodwill annually on May 31st for impairment. Based on a third-party valuation, the Company concluded that, as of May 31, 2011, there has been no impairment of goodwill. As a result of the deconsolidation of LEAF (see Note 27) subsequent to fiscal 2011, the Company will no longer reflect this goodwill on its consolidated balance sheets.

Long-lived assets and identifiable intangibles with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

In fiscal 2007, the Company acquired customer relationships with third-party lease originators, which it classified as a customer related intangible asset. The Company amortized this intangible asset over its expected useful life and monitored it for recoverability. During fiscal 2010, the Company determined that this asset ceased to have future value and, accordingly, recorded a $2.8 million impairment loss for the remaining unamortized balance.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### Derivative Instruments

The Company's policies permit it to enter into derivative contracts, including interest rate swaps to add stability to its financing costs and to manage its exposure to interest rate movements or other identified risks. The Company has designed these transactions as cash flow hedges. The contracts or hedge instruments are evaluated at inception and at subsequent balance sheet dates to determine if they continue to qualify for hedge accounting and, accordingly, derivatives are recognized on the balance sheet at fair value. U.S. GAAP requires recognition of all derivatives at fair value as either assets or liabilities in the consolidated balance sheets. The Company records changes in the estimated fair value of the derivative in accumulated other comprehensive income (loss) to the extent that it is effective. Any ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

Before entering into a derivative transaction for hedging purposes, the Company determines whether a high degree of initial effectiveness exists between the change in the value of the hedged forecasted transaction and the change in the value of the derivative from a movement in interest rates. High effectiveness means that the change in the value of the derivative is expected to provide a high degree of offset against changes in the value of the hedged forecasted transactions caused by changes in interest rate risk. The Company measures the effectiveness of each cash flow hedge throughout the hedge period. Any hedge ineffectiveness on cash flow hedging relationships, as defined by U.S. GAAP, will be recognized in the consolidated statements of operations.

There can be no assurance that the Company's hedging strategies or techniques will be effective, that profitability will not be adversely affected during any period of change in interest rates, or that the costs of hedging will not exceed the benefits.

### Recent Accounting Standards

Accounting Standards Issued But Not Yet Effective

The Financial Accounting Standards Board ("FASB") has issued the following accounting standards, which were not yet effective for the Company as of September 30, 2011:

*Testing goodwill for impairment.* In December 2010 and again in September 2011, the FASB issued guidance with respect to testing goodwill for impairment. In connection with the November 2011 LCC Transaction (see Note 27) and resulting deconsolidation of LEAF, the Company will no longer reflect goodwill on its balance sheet. Accordingly, these amendments will not have an impact on the Company's financial statements.

*Comprehensive income (loss).* In June 2011, the FASB issued an amendment to eliminate the option to present components of other comprehensive income (loss) as part of the statement of changes in stockholders' equity. The amendment requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income (loss) or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income (loss) and its components followed consecutively by a second statement that should present total other comprehensive income (loss), the components of other comprehensive income (loss), and the total of comprehensive income (loss). The Company plans to provide the disclosures as required by this amendment beginning October 1, 2012.

*Fair value measurements.* In May 2011, the FASB issued an amendment to revise the wording used to describe the requirements for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments to result in a change in the application of the current requirements. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements, such as specifying that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements such as specifying that, in the absence of a Level 1 input, a reporting entity should apply premiums or discounts when market participants would do so when pricing the asset or liability. This guidance will become effective for the Company beginning January 1, 2012. The Company is currently evaluating the impact this amendment will have, if any, on its financial statements.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### Recent Accounting Standards – (Continued)

Newly-Adopted Accounting Principles

The Company's adoption of the following standards during fiscal 2011 did not have a material impact on its consolidated financial position, results of operations or cash flows:

*Troubled debt restructurings.* In fiscal 2010, the FASB issued guidance that requires the disclosure of more detailed information on the nature and extent of troubled debt restructurings and their effect on the allowance for loan and lease losses. In April 2011, the FASB issued additional guidance related to determining whether a creditor has granted a concession, including factors and examples for creditors to consider in evaluating whether a restructuring results in a delay in payment that is insignificant, prohibits creditors from using the borrower's effective rate test to evaluate whether a concession has been granted to the borrower, and adds factors for creditors to use in determining whether a borrower is experiencing financial difficulties.

*Transfers of financial assets.* In June 2009, the FASB amended prior guidance on accounting for transfers of financial assets. The new pronouncement changes the derecognition guidance for the transferors of financial assets, eliminates the exemption from consolidation for qualifying special-purpose entities and requires additional disclosures about all transfers of financial assets.

*Disclosure about the credit quality of financing receivables and the allowance for credit losses.* In July 2010, the FASB issued guidance that requires companies to provide more information about the credit quality of their financing receivables including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators. The Company has provided the required disclosures in the notes to these consolidated financial statements.

*Variable interest entities.* In June 2009, the FASB issued guidance to revise the approach to determine when a VIE should be consolidated. The new consolidation model for VIEs considers whether the company has the power to direct the activities that most significantly impact the VIE's economic performance and shares in the significant risks and rewards of the entity. The guidance on VIEs requires companies to continually reassess VIEs to determine if consolidation is appropriate and to provide additional disclosures.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 3 – SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of cash flow information (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| **Cash paid (received):** | | | |
| Interest | $ (10,074) | $ (9,433) | $ (18,975) |
| Income tax payments | (964) | (1,325) | (2,638) |
| Refund of income taxes | 596 | 2,860 | – |
| | | | |
| **Non-cash activities include the following:** | | | |
| Warrants issued and recorded as a discount to the Senior Notes | $ – | $ 2,339 | $ 4,941 |
| LEAF preferred stock and warrants issued to RCC in exchange for its portfolio of leases and loans and associated debt and certain net assets: | | | |
| Restricted cash | $ 5,912 | $ – | $ – |
| Investment in commercial finance | 111,028 | – | – |
| Borrowings | (96,088) | – | – |
| Accounts payable and accrued expenses | (596) | – | – |
| Payable to RCC | 736 | – | – |
| Noncontrolling interests | (20,992) | – | – |
| Stock dividends issued on LEAF preferred stock held by RCC | $ 1,974 | $ – | $ – |
| Leasehold improvements paid by the landlord | $ – | $ 668 | $ – |
| | | | |
| Sale of commercial finance assets to RCC: | | | |
| Reduction of investments in commercial finance assets | $ – | $ 99,386 | $ – |
| Termination of associated secured warehouse facility | – | (99,386) | – |
| | | | |
| Property received on foreclosure of a real estate loan: | | | |
| Investment in a real estate loan | $ – | $ – | $ (2,837) |
| Investment in real estate owned | – | – | 2,837 |
| | | | |
| Effects from the deconsolidation of entities (1): | | | |
| Cash | $ – | $ 43 | $ 959 |
| Restricted cash | – | – | 10,651 |
| Due from affiliates | – | – | (8,410) |
| Receivables | – | 9 | (6,564) |
| Loans held for investment | – | – | 229,097 |
| Investments in commercial finance-held for investment, net | – | – | 185,784 |
| Property and equipment, net | – | 1,638 | – |
| Other assets | – | 755 | 4,230 |
| Accrued expense and other liabilities | – | (174) | (7,540) |
| Borrowings | – | (1,013) | (401,162) |
| Equity | – | (1,258) | (7,045) |

(1) Reflects the deconsolidation of a real estate entity and two financial fund management partnerships during fiscal 2010 and two entities, Apidos CDO VI and LCFF, during fiscal 2009. As a result of the deconsolidation of these entities, the amounts noted above were removed from the Company's consolidated balance sheets. The sum of the assets removed equates to the sum of the liabilities and equity that were similarly eliminated and, as such, there was no change in the Company's net assets.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 4 – FINANCING RECEIVABLES

The disclosures in this footnote are required pursuant to new guidance issued by the FASB that requires companies to provide more information about the credit quality of their financing receivables including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators.

The following table is the aging of the Company's past due financing receivables (presented gross of allowance for credit losses) as of September 30, 2011 (in thousands):

| | 30-89 Days Past Due | Greater than 90 Days | Greater than 181 Days | Total Past Due | Current | Total |
|---|---|---|---|---|---|---|
| **Receivables from managed entities and related parties:** (1) | | | | | | |
| Commercial finance investment entities | $ – | $ – | $ 37,547 | $ 37,547 | $ 490 | $ 38,037 |
| Real estate investment entities | 1,324 | 1,511 | 17,405 | 20,240 | 1,734 | 21,974 |
| Financial fund management entities | 2,395 | 93 | 28 | 2,516 | 136 | 2,652 |
| RCC | – | – | – | – | 2,539 | 2,539 |
| Other | – | – | – | – | 103 | 103 |
| | 3,719 | 1,604 | 54,980 | 60,303 | 5,002 | 65,305 |
| **Investments in commercial finance** | 984 | 526 | – | 1,510 | 190,932 | 192,442 |
| **Trade receivables** | 1 | 11 | – | 12 | 3 | 15 |
| **Total financing receivables** | $ 4,704 | $ 2,141 | $ 54,980 | $ 61,825 | $ 195,937 | $ 257,762 |

(1) Receivables are presented gross of an allowance for credit losses of $8.3 million and $2.2 million related to the Company's commercial finance and real estate investment entities, respectively. The remaining receivables from managed entities and related parties have no related allowance for credit losses.

The following table summarizes the Company's financing receivables on nonaccrual status (in thousands):

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| Investments in commercial finance: | | |
| Leases and loans | $ 526 | $ 930 |
| Future payment credit receivables | – | 316 |
| Investments in real estate loans | – | 49 |
| Total | $ 526 | $ 1,295 |

The following table provides information about the credit quality of the Company's commercial finance assets as of September 30, 2011 (in thousands):

| | Leases and Loans |
|---|---|
| Performing | $ 191,916 |
| Nonperforming | 526 |
| Total | $ 192,442 |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 4 – FINANCING RECEIVABLES – (Continued)**

The following table summarizes the activity in the allowance for credit losses for all financing receivables (in thousands):

| | Receivables from Managed Entities | Investments in Commercial Finance | | Trade Receivables | Investment in Real Estate Loans | Total |
|---|---|---|---|---|---|---|
| | | Leases and Loans | Future Payment Card Receivables | | | |
| **Year Ended September 30, 2011:** | | | | | | |
| Balance, beginning of year | $ 1,075 | $ 770 | $ 130 | $ – | $ 49 | $ 2,024 |
| Provision for credit losses | 9,415 | 1,137 | 94 | 15 | – | 10,661 |
| Charge-offs | – | (1,764) | (286) | – | (49) | (2,099) |
| Recoveries | – | 287 | 62 | – | – | 349 |
| Balance, end of year | $ 10,490 | $ 430 | $ – | $ 15 | $ – | $ 10,935 |
| | | | | | | |
| Ending balance, individually evaluated for impairment | $ 10,490 | $ – | $ – | $ 15 | $ – | $ 10,505 |
| Ending balance, collectively evaluated for impairment | – | 430 | – | – | – | 430 |
| Balance, end of year | $ 10,490 | $ 430 | $ – | $ 15 | $ – | $ 10,935 |

| | Receivables from Managed Entities | Investment in Loans | Investments in Commercial Finance | | Investment in Real Estate Loans | Total |
|---|---|---|---|---|---|---|
| | | | Leases and Loans | Future Payment Card Receivables | | |
| **Year Ended September 30, 2010:** | | | | | | |
| Balance, beginning year | $ – | $ – | $ 570 | $ 2,640 | $ 1,585 | $ 4,795 |
| Provision for credit losses | 1,852 | 1 | 2,860 | 447 | 49 | 5,209 |
| Charge-offs | (777) | (1) | (2,721) | (2,983) | (1,585) | (8,067) |
| Recoveries | – | – | 61 | 26 | – | 87 |
| Balance, end of year | $ 1,075 | $ – | $ 770 | $ 130 | $ 49 | $ 2,024 |
| | | | | | | |
| **Year Ended September 30, 2009:** | | | | | | |
| Balance, beginning of year | $ – | $ 1,595 | $ 650 | $ 1,100 | $ 1,129 | $ 4,474 |
| Provision for credit losses | – | 1,738 | 2,369 | 4,041 | 456 | 8,604 |
| Charge-offs | – | (715) | (1,054) | (2,503) | – | (4,272) |
| Reduction due to sale of interest | – | (2,618) | (1,500) | – | – | (4,118) |
| Recoveries | – | – | 105 | 2 | – | 107 |
| Balance, end of year | $ – | $ – | $ 570 | $ 2,640 | $ 1,585 | $ 4,795 |

The Company's financing receivables (presented exclusive of any allowance for credit losses) as of September 30, 2011 relate to the balance in the allowance for credit losses, as follows (in thousands):

| | Receivables from Managed Entities | Trade Receivables | Leases and Loans | Total |
|---|---|---|---|---|
| Ending balance, individually evaluated for impairment | $ 65,305 | $ 15 | $ – | $ 65,320 |
| Ending balance, collectively evaluated for impairment | – | – | 192,442 | 192,442 |
| Balance, end of year | $ 65,305 | $ 15 | $ 192,442 | $ 257,762 |

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**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 4 – FINANCING RECEIVABLES – (Continued)

The following table discloses information about the Company's impaired financing receivables as of September 30, 2011 (in thousands):

| | Net Balance | Unpaid Balance | Specific Allowance | Average Investment in Impaired Assets |
|---|---|---|---|---|
| **Financing receivables without a specific valuation allowance:** | | | | |
| Receivables from managed entities – commercial finance | $ – | $ – | $ – | $ – |
| Receivables from managed entities – real estate | – | – | – | – |
| Leases and loans | – | – | – | – |
| Trade receivables | – | – | – | – |
| **Financing receivables with a specific valuation allowance:** | | | | |
| Receivables from managed entities – commercial finance | $ 14,990 | $ 23,302 | $ 8,312 | $ 23,377 |
| Receivables from managed entities – real estate | 2,353 | 4,531 | 2,178 | 3,897 |
| Leases and loans | 310 | 526 | 216 | 318 |
| Trade receivables | – | 15 | 15 | 7 |
| **Total:** | | | | |
| Receivables from managed entities – commercial finance | $ 14,990 | $ 23,302 | $ 8,312 | $ 23,377 |
| Receivables from managed entities – real estate | 2,353 | 4,531 | 2,178 | 3,897 |
| Leases and loans | 310 | 526 | 216 | 318 |
| Trade receivables | – | 15 | 15 | 7 |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 5 – INVESTMENTS IN COMMERCIAL FINANCE

The Company's investments in commercial finance include the following (in thousands):

| | September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Direct financing leases, net | $ 145,476 | $ 8,888 |
| Equipment loans (1) | 19,640 | 1,661 |
| Assets subject to operating leases, net (2) | 27,326 | 2,211 |
| Future payment card receivables, net | – | 316 |
| | 192,442 | 13,076 |
| Allowance for credit losses | (430) | (900) |
| Total investments in commercial finance, net | $ 192,012 | $ 12,176 |

(1) The interest rates on loans generally range from 6% to 18%.

(2) Reflected net of accumulated depreciation of $7.1 million and $96,000 as of September 30, 2011 and 2010, respectively.

The components of direct financing leases are as follows (in thousands):

| | September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Total future minimum lease payments receivable | $ 159,722 | $ 10,467 |
| Initial direct costs, net of amortization | 2,034 | 156 |
| Unguaranteed residuals | 8,666 | 421 |
| Security deposits | (120) | (102) |
| Unearned income | (24,826) | (2,054) |
| Total investments in direct financing leases, net | $ 145,476 | $ 8,888 |

The contractual future minimum lease and note payments and related rental payments scheduled to be received on investments in commercial finance for each of the five succeeding annual periods ending September 30, and thereafter, is not presented due to the November 2011 LCC Transaction and anticipated resulting deconsolidation of LEAF subsequent to fiscal 2011(see Note 27).

The following table provides an analysis of the Company's cost of its investment in operating leases by major classes (in thousands):

| | September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Office equipment | $ 40,195 | $ 2,228 |
| Computers | 649 | – |
| Telephone systems | 157 | – |
| Other | 145 | 79 |
| | 41,146 | 2,307 |
| Accumulated depreciation | (13,820) | (96) |
| Total assets subject to operating leases, net | $ 27,326 | $ 2,211 |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 6 – INVESTMENTS IN REAL ESTATE

The Company's investments in real estate, net, consist of the following (in thousands):

| | September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Properties owned, net of accumulated depreciation of $4,785 and $3,989 | $ 16,741 | $ 17,387 |
| Ventures | 2,257 | 9,727 |
| Total investments in real estate, net | $ 18,998 | $ 27,114 |

In connection with the June 2011 sale of a building in Washington, DC by its owner in which the Company owned a 25% interest, the Company received net proceeds of $17.4 million and realized a gain on its investment of $8.4 million, net of amounts held in escrow.

## NOTE 7 − INVESTMENT SECURITIES

Components of investment securities are as follows (in thousands):

| | September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Available-for-sale securities | $ 14,884 | $ 21,530 |
| Trading securities | 240 | 828 |
| Total investment securities, at fair value | $ 15,124 | $ 22,358 |

*Available-for-sale securities.* The following table discloses the pre-tax unrealized gains (losses) relating to the Company's investments in available-for-sale securities (in thousands):

| | Cost or Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **September 30, 2011:** | | | | |
| CDO securities | $ 1,039 | $ 1,317 | $ − | $ 2,356 |
| Equity securities | 32,411 | 27 | (19,910) | 12,528 |
| Total | $ 33,450 | $ 1,344 | $ (19,910) | $ 14,884 |
| | | | | |
| **September 30, 2010:** | | | | |
| CDO securities | $ 5,515 | $ 1,047 | $ (339) | $ 6,223 |
| Equity securities | 31,847 | 18 | (16,558) | 15,307 |
| Total | $ 37,362 | $ 1,065 | $ (16,897) | $ 21,530 |

*Equity securities*. The Company holds approximately 2.5 million shares of RCC common stock (together with options to acquire 2,166 shares at an exercise price of $15.00 per share expiring in March 2015). The Company also holds 18,972 shares of The Bancorp, Inc. ("TBBK") (NASDAQ: TBBK) common stock. A portion of these investments are pledged as collateral on the Company's secured corporate credit facility and term note.

*CDO securities.* The CDO securities represent the Company's retained equity interest in three and four CDO issuers that it has sponsored and manages at September 30, 2011 and 2010, respectively. The fair value of these retained interests is impacted by the fair value of the investments held by the respective CDO issuers, which are sensitive to interest rate fluctuations and credit quality determinations.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 7 − INVESTMENT SECURITIES– (Continued)**

*Trading securities.* The Company held an additional 33,509 and 123,719 shares of TBBK common stock valued at $240,000 and $828,000 as of September 30, 2011 and 2010, respectively, in a Rabbi Trust for the Supplemental Employment Retirement Plan ("SERP") for its former Chief Executive Officer in addition to the shares held for investment purposes. The Company sold 90,210 TBBK shares in the plan during fiscal 2011, and recognized a net gain of $186,000. In addition, the Company had an unrealized trading gain of $16,000 for fiscal 2011 on the TBBK shares held in the plan. There were no sales of TBBK stock during fiscal 2010.

Unrealized losses along with the related fair value and aggregated by the length of time the investments were in a continuous unrealized loss position, are as follows (in thousands, except number of securities):

| | Less than 12 Months | | | More than 12 Months | | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses | Number of Securities |
| **September 30, 2011:** | | | | | | |
| CDO securities | $ – | $ – | – | $ – | $ – | – |
| Equity securities | – | – | – | 12,393 | (19,910) | 1 |
| Total | $ – | $ – | – | $ 12,393 | $ (19,910) | 1 |
| | | | | | | |
| **September 30, 2010:** | | | | | | |
| CDO securities | $ – | $ – | – | $ 3,980 | $ (339) | 1 |
| Equity securities | – | – | – | 15,181 | (16,558) | 1 |
| Total | $ – | $ – | – | $ 19,161 | $ (16,897) | 2 |

The unrealized losses in the above table are considered to be temporarily impairments due to market factors and are not reflective of credit deterioration. The Company has performed credit analyses in relation to these investments and believes the carrying value of these investments to be fully recoverable over their expected holding period. The Company considers, among other factors, the expected cash flows to be received from investments, recent transactions in the public markets, portfolio quality and industry sector of the investees when determining impairment. Specifically, with respect to its evaluation of its investment in RCC, the Company considers its role as the external manager and the value of its management contract, which includes a substantial fee for termination of the manager. Further, because of its intent and ability to hold these investments, the Company does not consider these unrealized losses to be other-than-temporary impairments. With respect to its CDO investments, the primary inputs used in producing the internally generated expected cash flows models to determine the fair value are as follows: (i) constant default rate (2%); (ii) loss recovery percentage (70%); (iii) constant prepayment rate (20%); (iv) reinvestment price on collateral (98% for the first year, 99% for years thereafter) and (v) discount rate (20%).

*Other-than-temporary impairment losses.* The Company has not recorded charges for the other-than-temporary impairment of certain of its investment securities in fiscal 2011. In fiscal 2010 and 2009, the Company recorded charges of $480,000 and $8.5 million, respectively, for the other-than-temporary impairment of certain of its investments in CDOs, primarily those with investments in bank loans, financial institutions, and real estate ABS (which includes RMBS and CMBS). Additionally, in fiscal 2010, the Company recorded a $329,000 charge for the other-than-temporary impairment of its investment in TBBK common stock held for the SERP as the Company intended to begin to sell these securities during fiscal 2011. In fiscal 2009, the Company recorded a charge of $73,000 for the other-than-temporary impairment of its investment in TBBK, formerly held for investment purposes, as management no longer had the intent to hold the security to recovery.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 8 − INVESTMENTS IN UNCONSOLIDATED ENTITIES

As a specialized asset manager, the Company develops various types of investment vehicles, which it manages under long-term management agreements or similar arrangements. The following table details the Company's investments in these vehicles, including the range of partnership interests owned (in thousands, except percentages):

| | Range of Combined Partnership Interests | September 30, 2011 | September 30, 2010 |
|---|---|---|---|
| Real estate investment entities | 2% – 10% | $ 8,439 | $ 9,317 |
| Financial fund management partnerships | 3% − 11% | 3,476 | 3,705 |
| Trapeza entities | 33% − 50% | 795 | 737 |
| Commercial finance investment entities | 1% − 6% | – | 66 |
| Investments in unconsolidated entities | | $ 12,710 | $ 13,825 |

Two of the Trapeza entities that have incentive distributions, also known as carried interests, are subject to a potential clawback to the extent that such distributions exceed the cumulative net profits of the entities, as defined in the respective partnership agreements (see Note 23). The general partner of those entities is equally owned by the Company and its co-managing partner. Performance-based incentive fees in interim periods are recorded based upon a formula as if the contract were terminated at that date. On a quarterly basis (interim measurement date), the Company quantifies the cumulative net profits/net losses (as defined under the Trapeza partnership agreements) and allocates income/loss to the limited and general partners according to the terms of such agreements.

## NOTE 9 − VARIABLE INTEREST ENTITIES

In general, VIEs are entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The Company has variable interests in VIEs through its management contracts and investments in various securitization entities, including collateralized loan obligation ("CLO") and CDO issuers. Since the Company serves as the asset manager for the investment entities it sponsored and manages, the Company is generally deemed to have the power to direct the activities of the VIE that most significantly impact the entity's economic performance. In the case of an interest in a VIE managed by the Company, the Company will perform an additional qualitative analysis to determine if its interest (including any investment as well as any management fees that qualify as variable interests) could absorb losses or receive benefits that could potentially be significant to the VIE. This analysis considers the most optimistic and pessimistic scenarios of potential economic results that could reasonably be experienced by the VIE. Then, the Company compares the benefits it would receive (in the optimistic scenario) or the losses it would absorb (in the pessimistic scenario) as compared to all benefits and losses absorbed by the VIE in total. If the benefits or losses absorbed by the Company were significant as compared to total benefits and losses absorbed by all variable interest holders, then the Company would conclude it is the primary beneficiary.

*Consolidated VIE*

The following table reflects the assets and liabilities of a real estate VIE, which was included in the Company's consolidated balance sheets as of September 30, 2011 and 2010 (in thousands):

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| Cash and property and equipment, net | $ 955 | $ 1,072 |
| Accrued expenses and other liabilities | $ 300 | $ 416 |

*VIEs not consolidated*

The Company's investments in RCC, Resource Real Estate Opportunity REIT, Inc. ("RRE Opportunity REIT"), a fund that is currently in the offering stage, and its investments in the structured finance entities that hold investments in bank loans ("Apidos entities"), trust preferred assets ("Trapeza entities") and asset-backed securities ("Ischus entities"), were all determined to be VIEs that the Company does not consolidate as it does not have the obligation of, or right to, losses or earnings that would be significant to those entities. With respect to RRE Opportunity REIT, the Company has advanced offering costs that are being reimbursed as the REIT raises additional equity. Except for those advances, the Company has not provided financial or other support to these VIEs and has no liabilities, contingent liabilities, or guarantees (implicit or explicit) related to these VIEs at September 30, 2011.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 9 − VARIABLE INTEREST ENTITIES- (Continued)

The following table presents the carrying amounts of the assets in the Company's consolidated balance sheet that relate to the Company's variable interests in identified nonconsolidated VIEs and the Company's maximum exposure to loss associated with these VIEs at September 30, 2011 (in thousands):

| | Receivables from Managed Entities and Related Parties, Net (1) | Investments | Maximum Exposure to Loss in Non-consolidated VIEs |
|---|---|---|---|
| RCC | $ 2,315 | $ 12,393 | $ 14,708 |
| RRE Opportunity REIT | – | 519 | 519 |
| Apidos entities | 2,132 | 2,356 | 4,488 |
| Ischus entities | 296 | – | 296 |
| Trapeza entities | – | 795 | 795 |
| | $ 4,743 | $ 16,063 | $ 20,806 |

(1) Exclusive of expense reimbursements due to the Company.

## NOTE 10 − PROPERTY AND EQUIPMENT

Property and equipment, net, consist of the following (in thousands):

| | Estimated Useful Life | September 30, 2011 | September 30, 2010 |
|---|---|---|---|
| Land | | $ 200 | $ 200 |
| Building | 39 years | 1,666 | 1,666 |
| Leasehold improvements | 1-15 years | 5,302 | 6,045 |
| Furniture and equipment | 3-10 years | 13,047 | 12,397 |
| Real estate assets – consolidated VIE | 40 years | 1,600 | 1,600 |
| | | 21,815 | 21,908 |
| Accumulated depreciation and amortization | | (13,873) | (11,924) |
| Property and equipment, net | | $ 7,942 | $ 9,984 |

## NOTE 11 − INTANGIBLE ASSETS

In the fourth quarter of fiscal 2010, the Company recognized a $2.8 million impairment loss for customer lists acquired by its commercial finance operating segment due to the decline in the estimated future cash inflows to be generated by the acquired customer base. Amortization of intangible assets totaled $809,000 and $692,000 for fiscal 2010 and 2009, respectively.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 12 – BORROWINGS

The credit facilities and other debt of the Company and related borrowings outstanding are as follows (in thousands):

| | As of September 30, 2011 | | September 30, 2010 |
|---|---|---|---|
| | Amount of Facility | Borrowings Outstanding | Borrowings Outstanding |
| **Commercial finance:** | | | |
| Guggenheim – secured revolving facility (1) | $ 110,000 | $ 104,607 | $ – |
| Guggenheim – bridge financing | – | – | 20,750 |
| LEAF Funding 3 Series 2010-2 – term securitization (2) | – | 71,639 | – |
| Note payable to RCC | 10,000 | 6,900 | – |
| Other debt | | 1,554 | 1,724 |
| Total commercial finance borrowings | | 184,700 | 22,474 |
| | | | |
| **Corporate and Real estate:** | | | |
| TD Bank – secured revolving credit facility (3) | 8,997 | 7,493 | 14,127 |
| TD Bank – term loan | – | 1,250 | – |
| Republic Bank – secured revolving credit facility | 3,500 | – | – |
| Total corporate borrowings | | 8,743 | 14,127 |
| Senior Notes (4) | | 16,263 | 14,317 |
| Note payable to RCC | | 1,705 | 2,000 |
| Mortgage debt | | 10,700 | 12,005 |
| Other debt | | 548 | 1,187 |
| Total corporate and real estate borrowings | | 37,959 | 43,636 |
| | | | |
| **Total borrowings outstanding** | | $ 222,659 | $ 66,110 |

(1) Reflected net of unamortized discount of $393,000 related to the fair value of the LEAF detachable warrants issued to Guggenheim.

(2) Face amount of the notes of $75.4 million is reflected net of unamortized discount of $3.8 million.

(3) The amount of the facility as shown has been reduced for outstanding letters of credit of $503,000 at September 30, 2011 and $401,000 at September 30, 2010.

(4) The outstanding Senior Notes are reflected net of an unamortized discount of $2.6 million and $4.5 million at September 30, 2011 and 2010, respectively, related to the fair value of detachable warrants issued to the note holders.

### Commercial Finance Debt

In the November 2011 LCC Transaction and resulting deconsolidation of LEAF (see Note 27), the Company's commercial finance facilities will no longer be included in the Company's consolidated financial statements. The following borrowings were outstanding under the commercial finance segment as of September 30, 2011:

*Guggenheim.* On January 4, 2011, Guggenheim provided LEAF with a revolving warehouse credit facility with an initial availability of $50.0 million. The facility was increased to $110.0 million on April 27, 2011 with a commitment to further expand the borrowing limit to $150.0 million. LEAF, through its wholly owned subsidiary, issued to Guggenheim, as initial purchaser, six classes of Dominion Bond Rating Service-rated variable funding notes, with ratings ranging from "AAA" to "B", for up to $110.0 million. The notes are secured and payable only from the underlying equipment leases and loans. Interest is calculated at a rate of 30-day London Interbank Offered Rate ("LIBOR") plus a margin rate applicable to each class of notes. The revolving period of the facility ends on December 31, 2012 and the stated maturity of the notes is December 15, 2020, unless there is a mutual agreement to extend. Principal payments on the notes are required to begin when the revolving period ends. The Company is not an obligor or a guarantor of these securities and the facility is non-recourse to the Company. The weighted average borrowings for fiscal 2011 was $40.4 million, at a weighted average borrowing rate of 4.1%, at an effective rate (inclusive of amortization of deferred financing costs and interest rate swaps) of 5.1%.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 12 – BORROWINGS − (Continued)

### Commercial Finance Debt – (continued)

*Series 2010-2 term securitization.* In May 2010, LEAF Receivables Funding 3, LLC ("LRF3") issued $120.0 million of equipment contract backed notes ("Series 2010-2") to provide financing for leases and loans. In the connection with the formation of LEAF in January 2011, RCC contributed these notes, along with the underlying lease portfolio to LEAF. LRF3 is the sole obligator of these notes. Neither the Company or LEAF is an obligor or a guarantor of these securities and the facility is non-recourse to the Company and LEAF.

The notes were originally issued in the following classes: (i) $95.5 million of class A notes; (ii) $7.0 million of class B notes; (iii) $6.4 million of class C notes; (iv) $6.4 million of class D notes; and (v) $4.7 million of class E notes. All of the notes issued bear interest at a fixed rate of 5.0%. The class A notes mature in May 2016 and the class B through E notes mature in December 2017. The notes were recorded at their fair value and are being accreted to their face value using the effective interest method. The weighted average borrowings for fiscal 2011 was $62.5 million, at a weighted average borrowing rate of 5.4%, with an effective interest rate (inclusive of amortization of debt discount and deferred issuance costs) of 8.7%.

*Note payable to RCC − commercial finance.* On July 20, 2011, RCC entered into an agreement with LEAF pursuant to which RCC agreed to provide a $10.0 million loan to LEAF, of which $6.9 million was funded as of September 30, 2011. The loan bears interest at a fixed rate of 8.0% per annum on the unpaid principal balance, payable quarterly. The loan is secured by the commercial finance assets of LEAF and LEAF's interest in LRF3. Weighted average borrowings for fiscal 2011 were $832,000. This loan was settled in the November 2011 LCC Transaction (see Note 27).

### Other Debt − Commercial Finance

*Mortgage.* In November 2007, in conjunction with the acquisition of Dolphin Capital Corp., an equipment leasing company, the Company entered into a $1.5 million first mortgage due December 2037 on an office building in Moberly, Missouri. The 8% mortgage, with an outstanding balance of $1.4 million and $1.5 million at September 30, 2011 and 2010, respectively, requires monthly payments of principal and interest of $11,000.

*Capital leases.* The Company has entered into various capital leases for the purchase of equipment at interest rates ranging from 5.1% to 7.4% and terms ranging from three to five years. The principal balance of these leases at September 30, 2011 and 2010 was $114,000 and $176,000, respectively.

### Corporate and Real Estate Debt

*TD Bank, N.A. ("TD Bank").* On March 10, 2011, the Company amended its revolving credit facility with TD Bank to extend the maturity date to August 31, 2012 from October 15, 2011, and to increase the maximum facility amount to $14.5 million, consisting of a $5.0 million term loan and a $9.5 million revolving line of credit. Additionally, the interest rate on borrowings was decreased to either (a) the prime rate of interest plus 2.25% or (b) LIBOR plus 3%, with a floor of 6%. The interest rate on borrowings until March 10, 2011 was either (a) the prime rate of interest plus 3% with a floor of 7% or (b) LIBOR plus 4.5%, with a floor of 7.5%. The Company is charged a fee of 0.5% on the unused facility amount as well as a 5.5% fee on the outstanding balance of a $503,000 letter of credit.

The facility requires that the Company repay the facility in an amount equal to 30% of the aggregate net proceeds (i.e., gross sales proceeds less reasonable and customary costs and expenses related to the sale) for certain asset sales. Included in restricted cash at September 30, 2011 is $2.2 million of proceeds from the sale of the Company's management contract for REM I. TD Bank allowed the Company to defer the repayment of the facility with these funds until October 2011, at which time the maximum facility amount of the revolver portion of the line of credit was reduced to $7.5 million.

Borrowings are secured by a first priority security interest in certain of the Company's assets and the guarantees of certain subsidiaries, including (i) the present and future fees and investment income earned in connection with the management of, and investments in, sponsored CDO issuers, (ii) a pledge of 18,972 shares of TBBK common stock, and (iii) the pledge of 1,777,371 shares of RCC common stock. Availability under the facility is limited to the lesser of (a) 75% of the net present value of future management fees to be earned or (b) the maximum revolving credit facility amount.

In November 2011, the Company amended its agreement to extend the maturity of the TD Bank facility from August 31, 2012 to August 31, 2013 and repaid the outstanding term loan in the amount of $1.3 million.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 12 – BORROWINGS − (Continued)

### Corporate and Real Estate Debt – (Continued)

The September 30, 2011 principal balance on the secured credit facility was $7.5 million and the availability on the line was $1.5 million, as reduced for letters of credit. Weighted average borrowings for fiscal 2011 and 2010 were $10.1 million and $17.8 million, respectively, at a weighted average borrowing rate of 6.6% and 7.4%, respectively, with an effective interest rate (inclusive of amortization of deferred issuance costs) of 10.5% and 10.7%, respectively.

The term note had required monthly principal payments of $150,000 until June 2011. In June 2011, the Company completed the sale of a real estate asset, as specified in the loan agreement, and applied a $3.0 million principal payment to the term note from the proceeds of this sale as required under the agreement. As a result of this paydown, the required monthly principal payments were reduced to $50,000 beginning in July 2011. The outstanding principal balance on the term note at September 30, 2011 of $1.3 million. Weighted average borrowings for fiscal 2011 were $1.7 million, at a weighted average borrowing rate of 6.0%, with an effective interest rate (inclusive of amortization of deferred issuance costs) of 12.9%.

*Republic First Bank ("Republic Bank").* In February 2011, the Company entered into a new $3.5 million revolving credit facility with Republic Bank. The facility bears interest at the prime rate of interest plus 1% with a floor of 4.5% and matures on December 28, 2012. The loan is secured by a pledge of 700,000 shares of RCC stock and a first priority security interest in certain real estate collateral located in Philadelphia, Pennsylvania. Availability under this facility is limited to the lesser of (a) the sum of (i) 25% of the appraised value of the real estate, based upon the most recent appraisal delivered to the bank and (ii) 100% of the cash and 75% of the market value of the pledged RCC shares held in the pledged account; and (b) 100% of the cash and 100% of the market value of the pledged RCC shares held in the pledged account. At September 30, 2011, there were no borrowings outstanding and availability on the Republic Bank facility was $3.2 million.

### Senior Notes

On September 29, 2009, the Company sold $15.6 million of its 12% senior notes due 2012 (the "Senior Notes") in a private placement to certain senior executives and shareholders of the Company. The Senior Notes were sold with detachable 5-year warrants which provide the purchasers the right to acquire 3,052,940 shares of the Company's common stock at an exercise price of $5.11 per share. On October 6, 2009, the Company completed the offering with the sale of an additional $3.2 million of Senior Notes and detachable warrants to purchase 637,255 shares with the same terms as the original issue. In the aggregate, the Company sold $18.8 million of Senior Notes with detachable warrants to purchase 3,690,195 shares. The Senior Notes require quarterly payments of interest in arrears beginning December 31, 2009. The notes are unsecured, senior obligations and are junior to the Company's existing and future secured indebtedness. As required by the TD Bank credit agreement, the Company paid down outstanding borrowings on the TD facility with $10.6 million of proceeds from the offering. In addition, until all of the Senior Notes are paid in full, retired or repurchased, the Company cannot declare or pay future quarterly cash dividends in excess of $0.03 per share without the prior approval of all of the holders of the Senior Notes unless basic earnings per common share from continuing operations from the preceding fiscal quarter exceed $0.25 per share.

The proceeds from the Senior Notes were allocated to the notes and the warrants based on their relative fair values. The Company used a Black-Scholes pricing model to calculate the fair value of the warrants at $5.9 million. The model included assumptions regarding the Company's dividend yield (2.3%), stock price volatility (44.1%), and risk-free interest rate (2.3%). The Company accounted for the warrants as an increase to additional paid-in capital with an offsetting discount to the Senior Notes. The discount is being amortized into interest expense over the 3-year term of the Senior Notes using the effective interest method. The effective interest rate (inclusive of the discount for the warrants) was 22.2% and 20.0% for fiscal 2011 and 2010, respectively.

In November 2011, the Company redeemed $8.8 million of the existing notes for cash and modified $10.0 million of notes to a reduced interest rate of 9% and extended the maturity to October 2013.

### Note payable to RCC − Real Estate

In January 2010, RCC advanced $2.0 million to the Company under an 8% promissory note that matures on January 14, 2015. Interest is payable quarterly in arrears and requires principal repayments upon the receipt of distributions from one of the Company's real estate investment funds. The principal balance of the note was $1.7 million and $2.0 million at September 30, 2011 and 2010, respectively.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 12 – BORROWINGS − (Continued)

### Other Debt - Real Estate and Corporate

*Real estate − mortgage.* In August 2011, the Company obtained a $10.7 million mortgage for its hotel property in Savannah, Georgia. The 6.36% fixed rate mortgage, which matures in September 2021, requires monthly principal and interest payments of $71,331. The principal balance as of September 30, 2011 was $10.7 million.

*Corporate − term notes.* In August and September 2011, the Company entered into two term notes totaling $615,000 to finance the payment of various insurance policy premiums. The notes are secured by the return premiums, dividend payments and certain loss payments of the insurance policies and require nine monthly principal and interest payments of $69,773. The principal balance outstanding at September 30, 2011 was $548,000.

### Terminated and/or Transferred Facilities and Loans

*Commercial finance – bridge financing.* LEAF Financial had a short-term bridge loan with Guggenheim for borrowings up to $21.8 million. The bridge facility was repaid with proceeds from the January 4, 2011 revolving warehouse credit facility and terminated on February 28, 2011. The loan was in the form of a series of notes. The weighted average borrowings for the years ended September 30, 2011 and 2010 were $8.7 million and $1.6 million, respectively, at weighted average borrowing rates of 6.8% and 4.0%, respectively, and effective interest rates (inclusive amortization of deferred finance fees) of 9.2% and 8.2%, respectively.

*Commercial finance − PNC Bank, N.A. ("PNC Bank").* LEAF Financial had a revolving warehouse credit facility with a group of banks led by PNC Bank. Amendments to the credit facility during fiscal 2010 reduced the maximum borrowing capacity from $150.0 million to $100.0 million as of March 24, 2010. In May 2010, the loan was fully repaid and the line was terminated. The interest rate on base rate borrowings was the base rate plus 4%, and on LIBOR based borrowings was LIBOR plus 5%. The base rate was the highest of (i) the prime rate, (ii) the federal funds rate plus 0.5%, or (iii) LIBOR plus 1%. Weighted average borrowings for fiscal 2010 were $77.0 million at a weighted average borrowing rate of 5.0%, with an effective interest rate (inclusive of amortization of deferred finance fees) of 7.7%.

*Commercial finance − secured note.* The Company had a 6.9% note with Sovereign Bank with a principal balance of $92,000 at September 30, 2010. The note, which required monthly payments of principal and interest of $18,800 over five years, matured and was fully repaid in February 2011.

*Real estate – mortgages.*

In June 2006, the Company obtained a $12.5 million 7.1% mortgage for its hotel property in Savannah, Georgia. The mortgage, which had an original maturity date of July 6, 2011, was extended to August 6, 2011, and required monthly payments of principal and interest of $84,200. On August 5, 2011, the Company refinanced this mortgage.

In January 2010, the Company received full payment of a loan from an entity which had previously consolidated as a VIE. Due to the repayment, the VIE was deconsolidated, thereby eliminating a $1.1 million mortgage held by the VIE from the Company's consolidated balance sheets.

*Corporate – term notes.* In August 2010, the Company entered into two term notes totaling $901,000 to finance the payment of various insurance policy premiums. The notes required nine monthly principal and interest payments of $102,200 and were fully repaid in May 2011.

In August and September 2009, the Company entered into three term notes totaling $971,000 to finance the payment of various insurance policies. The loans, which required nine monthly principal and interest payments of $110,600, were fully repaid in May 2010.

In September 2008, the Company entered into a three-year unsecured term note for $473,000 to finance the purchase of software. The loan, which required 36 monthly principal and interest payments of $14,200, matured and was fully repaid in September 2011.

*Capital leases.* The Company had entered into various capital leases for the purchase of equipment at interest rates ranging from 6.9% to 7.2% and terms ranging from two years to three years. The principal balance of these leases at September 30, 2010 and $219,000. The leases matured and were paid in full during fiscal 2011.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 12 – BORROWINGS − (Continued)**

*Corporate − Sovereign Bank secured revolving credit facility.* In July 1999, the Company entered into a revolving credit facility with Sovereign Bank. Upon the maturity of the facility on February 28, 2010, the Company repaid the remaining balance and the facility was terminated. The interest charged on outstanding borrowings was at the prime rate. Weighted average borrowings for fiscal 2010 were $234,000 at an effective interest rate of 3.0%.

*Financial fund management − secured note.* In June 2006, the Company borrowed $1.5 million from JP Morgan under a promissory note for the purchase of its equity investment in a CDO issuer the Company sponsored and manages. The note, which required quarterly payments of principal and interest at LIBOR plus 1.0%, was fully repaid in July 2010.

**Debt repayments**

Annual principal payments on the Company's aggregate borrowings, excluding LEAF subsequent to its anticipated deconsolidation in November 2011 (see Note 27), for the next five fiscal years ending September 30, and thereafter, are as follows (in thousands):

| | | |
|---|---|---|
| 2012 | $ | 10,787 |
| 2013 | | 7,675 |
| 2014 | | 10,194 |
| 2015 | | 1,912 |
| 2016 | | 219 |
| Thereafter | | 9,729 |
| | $ | 40,516 |

**Covenants**

The TD Bank credit facility is subject to certain financial covenants, which are customary for the type and size of the facility, including debt service coverage and debt to equity ratios. The debt to equity ratio restricts the amount of recourse debt the Company can incur based on a ratio of recourse debt to net worth.

The hotel mortgage, which is guaranteed by the Company, contains financial covenants related to the net worth and liquid assets of the Company.

The Guggenheim commercial finance secured revolving credit facility is subject to certain financial covenants including average cumulative net loss percentage as well as delinquency and default, senior leverage, and interest coverage ratios.

The Company was in compliance with all of its debt covenants as of September 30, 2011.

**NOTE 13 – SERVICING LIABILITY – COMMERCIAL FINANCE**

During fiscal 2010, the Company sold a portfolio of leases and loans to RCC. Although it remained as the servicer for the portfolio, the Company agreed not to charge any servicing fees. Accordingly, the Company recorded a $2.5 million liability for the present value of the estimated costs to service the portfolio. The liability was eliminated in the formation of LEAF in January 2011 and its reacquisition of the portfolio from RCC. The table below summarizes the activity for the servicing liability (in thousands):

| | Years Ended September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Balance, beginning of period | $ (2,362) | $ – |
| Additions | – | (2,478) |
| Amortization (1) | 88 | 116 |
| Elimination of the servicing liability due to the contribution of the RCC portfolio in the formation of LEAF | 2,274 | – |
| Balance, end of period | $ – | $ (2,362) |

(1) Amortization of the servicing liability was included as a reduction of commercial finance revenues in the consolidated statements of operations.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 14 – COMPREHENSIVE LOSS

Comprehensive loss includes net loss and all other changes in the equity of a business from transactions and other events and circumstances from non-owner sources. These changes, other than net loss, are referred to as "other comprehensive loss" and for the Company include primarily changes in the fair value, net of tax, of its investment securities available-for-sale and hedging contracts. Other comprehensive loss also includes the Company's share of unrealized losses on hedging contracts held by the commercial finance investment partnerships.

The following table reflects the changes in comprehensive loss (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Net loss | $ (7,429) | $ (16,675) | $ (16,534) |
| Other comprehensive (loss) income: | | | |
| Unrealized (loss) gain on investment securities available-for-sale, net of tax of $(1,643), $1,481 and $(1,391) | (2,564) | 2,160 | 638 |
| Less: reclassification for losses realized, net of tax of $566, $568 and $3,484 | 904 | 870 | 3,844 |
| | (1,660) | 3,030 | 4,482 |
| Minimum pension liability adjustments, net of tax of $(432), $(223) and $(673) | (632) | (257) | (569) |
| Less: reclassification for losses realized, net of tax of $129, $116 and $84 | 169 | 147 | 108 |
| | (463) | (110) | (461) |
| Unrealized (loss) gain on hedging contracts, net of tax of $(58), $109, and $(2,256) | (75) | 192 | (768) |
| Transfer of interest rate swaps and caps to affiliated entities, net of tax of $0, $0 and $3,574 | – | – | 3,170 |
| Swap termination due to expiration, net of tax of $0, $0 and $233 | – | – | 319 |
| Foreign currency translation gain (loss) | 368 | (384) | (280) |
| Comprehensive loss | (9,259) | (13,947) | (10,072) |
| Less: Comprehensive (income) loss attributable to noncontrolling interests | (775) | 3,249 | 386 |
| Comprehensive loss attributable to common shareholders | $ (10,034) | $ (10,698) | $ (9,686) |

The following are changes in accumulated other comprehensive loss by category (in thousands):

| | Investment Securities Available-for-Sale | Cash Flow Hedges | Foreign Currency Translation Adjustments | SERP Pension Liability | Total |
|---|---|---|---|---|---|
| Balance, September 30, 2009, net of tax of $(8,119), $(252), $0 and $(1,859) | $ (12,791) | $ (388) | $ 16 | $ (2,397) | $ (15,560) |
| Changes during fiscal 2010 | 3,030 | 217 | (384) | (110) | 2,753 |
| Balance, September 30, 2010, net of tax of $(6,071), $(146), $0 and $(1,966) | (9,761) | (171) | (368) | (2,507) | (12,807) |
| Changes during fiscal 2011 | (1,660) | (51) | 368 | (463) | (1,806) |
| Balance, September 30, 2011, net of tax of $(7,147), $(202), $0 and $(2,271) | $ (11,421) | $ (222) | $ – | $ (2,970) | $ (14,613) |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 15 – DERIVATIVE INSTRUMENTS

The Company's investments in commercial finance assets have been structured on a fixed-rate basis, but some of the Company's related borrowings were obtained on a floating-rate basis. As a result, the Company was exposed to risk if interest rates rose, which in turn would increase the Company's borrowing costs. In addition, when the Company acquired commercial finance assets, it based its pricing, in part, on the spread it expected to achieve between the interest rate it charged its customers and the effective interest cost the Company paid when it funded the respective borrowings. Increases in interest rates that increased the Company's permanent funding costs between the time the assets were originated and the time they were funded could narrow, eliminate or even reverse this spread. In conjunction with the securitization of its commercial finance assets in October 2011 (see Note 27), three of the four outstanding swap contracts were terminated.

Historically, to manage its interest rate risk, the Company employed a hedging strategy using derivative financial instruments such as interest rate swaps, which were designated as cash flow hedges. Accordingly, changes in fair value of those derivatives were recorded in accumulated other comprehensive loss and were subsequently reclassified into earnings when the hedged forecasted interest payments were recognized in earnings. The Company does not use derivative financial instruments for trading or speculative purposes. The Company managed the credit risk of possible counterparty default in the derivative transactions by dealing exclusively with counterparties with high credit quality. The Company has an agreement with its derivative counterparty that incorporates the loan covenant provisions of the Company's indebtedness with a lender affiliate of the derivative counterparty. Failure to comply with the loan covenant provisions could result in the Company being in default on any derivative instrument obligations covered by the agreement. As of September 30, 2011, the fair value of derivatives in a net liability position related to these agreements was $404,000, net of accrued interest. As of September 30, 2011, the Company had posted $300,000 in cash collateral as security for any unfunded liability related to these agreements. If the Company had breached any of these provisions at September 30, 2011, it could have been required to settle its obligations under the agreements at their termination value of $421,000.

Derivative instruments were reported at fair value as of September 30, 2011 as follows (in thousands, except number of contracts):

| | Notional Amount | Termination Date of Swap | Derivative Liability Reported in Accrued Expenses and Other Liabilities | Number of Contracts |
|---|---|---|---|---|
| Interest rate swaps designated as cash flow hedges | $ 60,615 | March 15, 2015 | $ 404 | 4 |

As of September 30, 2011, included in accumulated other comprehensive loss were unrealized net losses of $181,000 (net of tax benefit and noncontrolling interests of $223,000) on four swaps. The Company recognized no gain or loss during fiscal 2011 for hedge ineffectiveness.

In addition, included in accumulated other comprehensive loss as of September 30, 2011 and 2010 is a net unrealized loss of $41,000 (net of tax benefit of $28,000) and a net unrealized loss of $171,000 (net of tax benefit of $146,000 and noncontrolling interest of $25,000), respectively, related to hedging instruments held by investment funds sponsored by LEAF Financial, in which the Company owns an equity interest.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 16 –NONCONTROLLING INTERESTS

The following table presents the activity in noncontrolling interests during fiscal 2011 (in thousands):

| | |
|---|---|
| Noncontrolling interests, beginning of year | $ (2,873) |
| Net income | 799 |
| Restricted stock awards | 40 |
| Other comprehensive loss | (24) |
| Transactions related specifically to the January 2011 formation of LEAF: | |
| Exchange of LEAF Financial common stock held by management for LEAF common stock | 3,467 |
| LEAF common stock issuance costs | (221) |
| Warrants issued to Guggenheim (see Note 12) | 452 |
| Issuance of LEAF preferred stock and warrants to RCC | 36,213 |
| Cash portion of LEAF preferred stock dividends to RCC | (493) |
| | 39,418 |
| Noncontrolling interests, end of year | $ 37,360 |

## NOTE 17 - INCOME TAXES

The following table details the components of the Company's benefit for income taxes from continuing operations (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Current tax provision: | | | |
| Federal | $ 51 | $ 1,379 | $ 2,238 |
| State | 574 | 535 | 475 |
| Foreign | 425 | – | 32 |
| Total current tax provision | 1,050 | 1,914 | 2,745 |
| | | | |
| Deferred tax (benefit) provision: | | | |
| Federal | (4,668) | (5,795) | (10,777) |
| State | (2,056) | (223) | (2,472) |
| Foreign | 1,067 | 1,454 | – |
| Total deferred tax benefit | (5,657) | (4,564) | (13,249) |
| | | | |
| Total income tax benefit | $ (4,607) | $ (2,650) | $ (10,504) |

A reconciliation between the federal statutory income tax rate and the Company's effective income tax rate is as follows:

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Statutory tax rate | 35% | 35% | 35% |
| State and local taxes, net of federal benefit | 13 | 12 | 5 |
| Deferred tax adjustments | 12 | (7) | – |
| Taxable foreign distributions | (6) | – | – |
| Valuation allowance for deferred tax assets | (4) | (18) | 4 |
| Equity-based compensation expense | (3) | (8) | (1) |
| Other items | – | (1) | (3) |
| | 47% | 13% | 40% |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 17 - INCOME TAXES – (Continued)

Deferred tax assets/liabilities are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated balance sheets. These temporary differences will result in taxable or deductible amounts in future years. The components of deferred tax assets, net, are as follows (in thousands):

| | September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Deferred tax assets related to: | | |
| Federal, foreign, state and local operating loss carryforwards | $ 23,594 | $ 17,540 |
| Capital loss carryforwards | 24,752 | 14,319 |
| Unrealized loss on investments | 9,830 | 10,079 |
| Provision for credit losses | 4,627 | – |
| Accrued expenses | 3,685 | 277 |
| Employee stock option and restricted stock awards | 1,242 | 3,456 |
| Investments in partnership interests | 41 | 1,756 |
| Property and equipment basis differences | 681 | 774 |
| Gross deferred tax assets | 68,452 | 48,201 |
| Less: valuation allowance | (4,858) | (4,498) |
| | 63,594 | 43,703 |
| | | |
| Deferred tax liabilities related to: | | |
| Investments in partnership interests | (12,013) | (70) |
| Provision for credit losses | – | (341) |
| | (12,013) | (411) |
| | | |
| Deferred tax assets, net | $ 51,581 | $ 43,292 |

At September 30, 2011, the Company had gross federal, state and local net operating tax loss carryforwards ("NOLs") of $222.5 million (a deferred tax asset of $23.6 million) that will expire between fiscal 2012 and 2032. The Company believes it will be able to utilize up to $142.4 million of these NOLs (tax effected benefit of $19.4 million) prior to their expiration and has changed its gross valuation allowance from $84.8 million to $80.1 million (tax effected expense of $4.2 million). In addition, a valuation allowance was established against gross state timing differences of $1.0 million (tax effected expense of $650,000) that the Company believes it will not be able to use. Management will continue to assess its estimate of the amount of NOLs that the Company will be able to utilize. Furthermore, its estimate of the required valuation allowance could be adjusted in the future if projections of taxable income are revised. Management believes it is more likely than not that the other net deferred tax assets will be realized based on tax planning strategies that will generate future taxable income during the periods in which these temporary differences become deductible.

The Company is subject to examination by the U.S. Internal Revenue Service (“IRS”) and by the taxing authorities in states in which the Company has significant business operations, such as Pennsylvania and New York. The Company is currently undergoing a New York State examination for fiscal 2007 through 2009. The Company is not subject to IRS examination for fiscal years before 2008 and is not subject to state and local income tax examinations for fiscal years before 2005.

A tax position should only be recognized if it is more likely than not that the position will be sustained upon examination by the appropriate taxing authority. A tax position that meets this threshold is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company classifies any tax penalties as general and administrative expenses and any interest as interest expense. The Company does not have any unrecognized tax benefits that would affect the effective tax rate.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 18 – EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share ("Basic EPS") is computed using the weighted average number of common shares outstanding during the period, inclusive of nonvested share-based awards that are entitled to receive non-forfeitable dividends. The diluted earnings (loss) per share ("Diluted EPS") computation takes into account the effect of potential dilutive common shares. Potential common shares, consisting primarily of stock options, warrants and director deferred shares, are calculated using the treasury stock method.

Effective October 1, 2009, the Company adopted and retrospectively applied a FASB-issued standard that requires nonvested share-based awards that contain rights to receive non-forfeitable dividends or dividend equivalents to be included in computing earnings (loss) per share. The adoption of this standard increased the weighted average number of shares by 672,000 for fiscal 2009, which reduced the loss per share by $0.03 from the previously reported loss per share of $0.84 to $0.81, as revised.

For fiscal 2011, 2010 and 2009, the Basic EPS and Diluted EPS shares were the same because the impact of potential dilutive securities would have been antidilutive. Accordingly, the following were excluded from the Diluted EPS computation as of September 30, 2011, 2010 and 2009: outstanding options to purchase 2.1 million, 2.5 million, and 2.5 million shares of common stock at a weighted average price per share of $9.90, $9.03, and $9.04, respectively, and warrants to purchase 3,690,000, 3,690,000 and 3,053,000 shares of common stock, at a weighted average exercise price per share of $5.11, respectively. Additionally as of September 30, 2010 and 2009, there were 69,300 and 69,300 shares, respectively, of restricted stock (at a fair value of $16.42 per share) outstanding that did not have participating rights and, as such, were also excluded from the Diluted EPS calculation.

## NOTE 19 - BENEFIT PLANS

*Employee stock options.* As of September 30, 2011, the Company has four employee stock plans: the 1997 Plan, the 1999 Plan, the 2002 Plan and the 2005 Plan. Equity awards from these plans generally become exercisable 25% per year after the date of grant but may vest immediately at management's discretion and expire no later than ten years from the date of grant.

The employee stock plans allow for grants of the Company's common stock in the form of incentive stock options ("ISOs"), non-qualified stock options, and stock appreciation rights. Under the 2005 Plan, the Company may also grant restricted stock, stock units, performance shares, stock awards, dividend equivalents and other stock-based awards. The Company does not record a tax benefit for option awards at the grant date since the options it issues are generally ISOs and employees have typically held the stock received on exercise for the requisite holding period.

The Company did not grant any options during fiscal 2011, 2010 or 2009.

At September 30, 2011, 2010 and 2009, the Company had unamortized compensation expense related to unvested stock options of $45,000, $202,000 and $453,000, respectively. The balance of the unamortized compensation at September 30, 2011 will be fully expensed during fiscal 2012. For fiscal 2011, 2010 and 2009, the Company recorded option compensation expense of $165,000, $226,000 and $613,000, respectively.

*Restricted stock.* During fiscal 2011, 2010 and 2009, the Company awarded a total of 214,568, 399,156 and 225,839 shares of restricted stock, respectively, valued at $1.4 million, $1.7 million and $828,000, respectively, and recorded compensation expense for outstanding restricted stock of $1.9 million, $2.7 million and $3.4 million (of which $33,000, $232,000 and $600,000 related to the accelerated vesting of awards for certain terminated employees), respectively.

In January 2011, in connection with the formation of LEAF, all of the outstanding restricted stock of LEAF Financial held by its senior management were exchanged for 1,000 shares of restricted stock of LEAF. The Company recorded equity-based compensation expense related to the LEAF and LEAF Financial restricted stock of $94,000, $57,000 and $142,000 for fiscal 2011, 2010 and 2009, respectively.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 19 - BENEFIT PLANS − (Continued)**

*Performance-based awards.* The Company issues performance-based awards which are earned based on the achievement of specified goals as of a designated measurement date. The goals typically include such measures as earnings per share, return on equity, revenues and assets under management. During fiscal 2011, 2010 and 2009, the Company awarded 36,000, 0, and 100,000 shares of performance-based restricted stock, respectively, and recorded compensation expense of $0, $96,000 and $113,000 during fiscal 2011, 2010 and 2009, respectively, related to performance awards that had been earned. There were no unvested earned awards outstanding during fiscal 2011.

| Unearned Performance-based Restricted Stock | Shares |
|---|---|
| Outstanding, beginning of year | 100,000 |
| Awarded | 36,000 |
| Earned | 0 |
| Forfeited | 0 |
| Outstanding, end of year | 136,000 |

Aggregate information regarding the Company's employee stock options as of September 30, 2011 is as follows:

| Stock Options Outstanding | Shares | Weighted Average Exercise Price | Weighted Average Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Balance, beginning of year | 2,506,600 | $ 9.04 | | |
| Granted | – | $ – | | |
| Exercised | (404,041) | $ (4.73) | | |
| Forfeited and/or expired | (19,344) | $ (5.08) | | |
| Balance, end of year | 2,083,215 | $ 9.90 | 2.5 | $ 1,636,000 |
| | | | | |
| Exercisable, September 30, 2011 | 2,060,528 | $ 9.90 | | |
| Available for grant | 778,359(1) | | | |

(1) At the Company's 2011 Annual Meeting, shareholders approved an 800,000 increase in the shares authorized for grant under the Company's 2005 Plan. The shares available for grant reflect this increase, as reduced by restricted stock award grants, net of forfeitures.

The following table summarizes the activity for nonvested employee stock options and restricted stock (excluding performance-based awards) during fiscal 2011:

| | Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| **Nonvested Stock Options** | | |
| Outstanding, beginning of year | 60,500 | $ 5.06 |
| Granted | – | $ – |
| Vested | (36,313) | $ (6.09) |
| Forfeited and/or expired | (1,500) | $ (4.02) |
| Outstanding, end of year | 22,687 | $ 3.48 |
| | | |
| **Nonvested Restricted Stock** | | |
| Outstanding, beginning of year (1) | 741,086 | $ 7.40 |
| Granted | 214,568 | $ 6.53 |
| Vested and issued | (300,127) | $ (10.07) |
| Forfeited | (6,520) | $ (9.99) |
| Outstanding, end of year | 649,007 | $ 5.85 |

(1) At September 30, 2010, included 69,300 shares of nonvested restricted stock that did not have dividend equivalent rights and, therefore, were excluded from the shares outstanding in the consolidated balance sheets; these shares were fully vested and were issued during fiscal 2011.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 19 - BENEFIT PLANS − (Continued)**

*Deferred stock and deferred compensation plans.* In addition to the employee stock plans, the Company has two plans for its non-employee directors ("Eligible Directors"), the 1997 Director Plan and the 2002 Director Plan. Each unit granted under these plans represents the right to receive one share of the Company's common stock.

The 1997 Director Plan has issued all of its authorized 173,450 units. As of September 30, 2011 and 2010, there were 104,070 units vested and outstanding under this plan.

Eligible Directors are eligible to participate in the 2002 Director Plan. Upon becoming a director, each Eligible Director receives units equal to a share compensation amount divided by the closing price of the Company's common stock on the date of grant. Eligible Directors receive an additional unit award on each anniversary of the date of initial grant equal to their share compensation divided by the closing price of the Company's common stock on the date of grant. Units vest on the later of: (i) the fifth anniversary of the date the recipient became an Eligible Director and (ii) the first anniversary of the grant of those units, except that units will vest sooner upon a change in control or death or disability of an Eligible Director, provided the Eligible Director has completed at least six months of service. Upon termination of service by an Eligible Director, shares of common stock are issued for vested units and all nonvested units are forfeited. The 2002 Director Plan provides for the issuance of 173,450 units and terminates on April 29, 2012, at which time the plan will no longer be able to make any additional grants (any grants outstanding at that time will be unaffected). As of September 30, 2011, there were 134,667 units outstanding (of which 100,552 were vested) under the 2002 Director Plan.

Aggregate information regarding the Company's two director plans at September 30, 2011 was as follows:

| | Shares | | Weighted Average Grant Date Fair Value |
|---|---|---|---|
| **Director Units** | | | |
| Outstanding, beginning of year | 217,507 | $ | 6.57 |
| Granted | 21,230 | $ | 6.36 |
| Outstanding, end of year | 238,737 | $ | 6.56 |
| | | | |
| Vested units | 204,622 | $ | 6.46 |
| Available for grant | 778,359 | | |

The following table summarizes the activity for outstanding nonvested director units during fiscal 2011:

| | Shares | | Weighted Average Grant Date Fair Value |
|---|---|---|---|
| **Nonvested Director Units** | | | |
| Outstanding, beginning of year | 34,050 | $ | 7.71 |
| Granted | 21,230 | $ | 6.36 |
| Vested | (21,165) | $ | (5.31) |
| Forfeited | – | $ | – |
| Outstanding, end of year | 34,115 | $ | 8.36 |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 19 - BENEFIT PLANS − (Continued)**

*Employee Stock Ownership Plan*. The Company sponsors an Employee Stock Ownership Plan ("ESOP") which is a qualified non-contributory retirement plan established to acquire shares of the Company's common stock for the benefit of its employees who are 21 years of age or older, have completed 1,000 hours of service and been employed by the Company for one year. Contributions to the ESOP were funded by the Company as set forth in the plan. The ESOP used a loan from the Company to acquire 105,000 shares of the Company's common stock. The loan was fully repaid in fiscal 2008 and all shares held by the Plan have been allocated to participants' accounts. Vested shares held by the plan are distributed upon the termination of the participant's employment with the Company or upon the termination of the ESOP. In December 2008, the Company filed an application under the voluntary correction program ("VCP") with the Internal Revenue Service ("IRS") in order to correct certain compliance errors that were made with respect to the ESOP. The Company has finalized the corrections required under the VCP compliance statement. Furthermore, the United States Department of Labor ("DOL") closed its audits of the ESOP and the Resource America, Inc. Investment Savings Plan ("401(k) Plan") for the plan years from 2005 to 2009 without any significant changes or corrections required. The Company has decided to terminate the ESOP and, in connection with this termination, has filed for a final determination letter with the IRS. After receipt of this final determination letter (which the Company anticipates will be received in early fiscal 2012), the Company plans to distribute the available plan assets to participants and liquidate the ESOP trust. There was no compensation expense recorded related to this plan during fiscal 2011, 2010 or 2009.

*Employee 401(k) Plan.* The Company sponsors a qualified 401(k) Plan to enable employees to save for their retirement on a tax deferred basis. Employees are eligible to make elective deferrals commencing on the first day of the month after their date of hire. The Company will match 50% of such deferrals, limited to 10% of an employee's annual compensation, after the completion of 1,000 hours of service and having been employed by the Company for one year. The match contribution vests over a period of five years. In May 2010, the Company discovered errors in the calculation of the employer match and the calculation of the vested percentages for some employees and has paid the amounts required to correct the Plan. In January 2011, the Company filed for approval of these corrections under a VCP. The Company has recorded compensation expense of $712,000, $1.1 million and $951,000 for matching contributions during fiscal 2011, 2010 and 2009, respectively.

*SERP*. The Company established a SERP, which has Rabbi and Secular Trust components, for Mr. Edward E. Cohen ("Mr. E. Cohen"), while he was the Company's Chief Executive Officer. The Company pays an annual benefit equal to $838,000 during his lifetime or for a period of 10 years from June 2004, whichever is longer. The 1999 Trust, a secular trust, purchased and holds 100,000 shares of the common stock of TBBK ($716,000 fair value at September 30, 2011). The Company holds an additional 33,509 shares of TBBK common stock as well as $3,000 in cash at September 30, 2011 to support the Rabbi Trust portion of the SERP.

The components of net periodic benefit costs for the SERP were as follows (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Interest cost | $ 366 | $ 430 | $ 484 |
| Less: expected return on plan assets | (66) | (59) | (53) |
| Plus: Amortization of unrecognized loss | 298 | 263 | 192 |
| Net cost | $ 598 | $ 634 | $ 623 |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 19 - BENEFIT PLANS − (Continued)**

The reconciliation of the beginning and ending balances for the SERP benefit obligation and fair value of plan assets, comprised entirely of equity securities, as well as the funded status of the Company's SERP liability, is as follows (in thousands):

| | September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Projected benefit obligation, beginning of year | $ 7,626 | $ 7,486 |
| Interest cost | 366 | 430 |
| Actuarial loss | 1,062 | 548 |
| Benefit payments | (838) | (838) |
| Projected benefit obligation, end of year | $ 8,216 | $ 7,626 |
| | | |
| Fair value of plan assets, beginning of year | $ 1,106 | $ 979 |
| Actual gain on plan assets | 61 | 127 |
| Fair value of plan assets, end of year | $ 1,167 | $ 1,106 |
| | | |
| Unfunded status | $ (7,049) | $ (6,520) |
| Unrecognized net actuarial loss | 5,241 | 4,473 |
| Net accrued cost | $ (1,808) | $ (2,047) |
| | | |
| Amounts recognized in the consolidated balance sheets consist of: | | |
| Accrued benefit liability | $ (7,049) | $ (6,520) |
| Accumulated other comprehensive loss | 2,970(1) | 2,507(1) |
| Deferred tax asset | 2,271 | 1,966 |
| Net liability recognized | $ (1,808) | $ (2,047) |

(1) The estimated net loss for the plan that is expected to be amortized from accumulated other comprehensive loss into net periodic pension benefit cost over the next fiscal year is $334,000.

As of September 30, 2011, the fair value of the SERP plan asset by level within the fair value hierarchy was as follows (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Asset:** | | | | |
| Equity securities - TBBK | $ 1,167 | $ – | $ – | $ 1,167 |

The SERP is expected to make benefit payments based on the same assumptions used to measure the Company's benefit obligation at September 30, 2011 (4.1% discount rate, 6% expected return on assets) over the next five fiscal years ending September 30, and thereafter, as follows (in thousands):

| | |
|---|---|
| 2012 | $ 838 |
| 2013 | 838 |
| 2014 | 821 |
| 2015 | 764 |
| 2016 | 739 |
| Thereafter | 3,228 |
| | $ 7,228 |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 20 - CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the ordinary course of its business operations, the Company has sponsored and manages investment entities. Additionally, it has ongoing relationships with several related entities. The following table details these receivables and payables (in thousands):

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| **Receivables from managed entities and related parties, net:** | | |
| Commercial finance investment entities (1) | $ 29,725 | $ 41,722 |
| Real estate investment entities (2) | 19,796 | 18,491 |
| Financial fund management investment entities | 2,652 | 3,065 |
| RCC | 2,539 | 2,811 |
| Other | 103 | 327 |
| Receivables from managed entities and related parties | $ 54,815 | $ 66,416 |
| | | |
| **Payables due to managed entities and related parties, net:** | | |
| Real estate investment entities | $ 1,010 | $ 122 |
| RCC | 222 | 34 |
| Payables to managed entities and related parties | $ 1,232 | $ 156 |

(1) Reflects $8.3 million of reserves for credit losses related to management fees owed from two commercial finance investment entities that, based on a change in estimated cash distributions, are not expected to be collectible. Also includes a discount of $293,000 in connection with management fees and reimbursed expenses that the Company expects to receive in the future.

(2) Reflects $2.2 million of reserves for credit losses related to management fees owed from two real estate investment entities that, based on projected cash flows, are not expected to be collectible.

The Company receives fees, dividends and reimbursed expenses from several related/managed entities. In addition, the Company reimburses related entities for certain operating expenses. The following table details those activities (in thousands):

| | Years Ended September 30, 2011 | 2010 | 2009 |
|---|---|---|---|
| **Fees from unconsolidated investment entities**: | | | |
| Real estate (1) | $ 13,480 | $ 12,637 | $ 11,343 |
| Financial fund management (2) | 4,391 | 3,445 | 3,105 |
| Commercial finance (3) | – | 10,637 | 20,168 |
| **RCC:** | | | |
| Management, incentive and servicing fees (4) | 12,270 | 10,938 | 8,361 |
| Dividends | 2,455 | 2,278 | 3,405 |
| Reimbursement of costs and expenses | 2,688 | 1,794 | 600 |
| **Resource Real Estate Opportunity REIT, Inc. –** reimbursement of costs and expenses | 1,843 | 1,824 | – |
| **Atlas Energy, L.P. –** reimbursement of net costs and expenses | 1,070 | 871 | 1,369 |
| **1845 Walnut Associates Ltd. –** payment of rent and operating expenses | (706) | (567) | (475) |
| **Ledgewood P.C. –** payment for legal services | (555) | (295) | (549) |
| **Graphic Images, LLC –** payment for printing services | (111) | (94) | (133) |
| **9 Henmar LLC –** payment of broker/consulting fees | (50) | (55) | (81) |
| **The Bancorp, Inc. –** reimbursement of net costs and expenses | 34 | – | – |

(1) Reflects discounts recorded by the Company of $512,000, $463,000 and $394,000 recorded in fiscal 2011, 2010 and 2009 in connection with management fees from its real estate investment entities that it expects to receive in future periods.

(2) For fiscal 2010, excludes a $2.3 million gain on the repurchase of limited partner interests in two of the Trapeza partnerships. For fiscal 2009, excludes a $1.7 million reduction in the Company's clawback liability associated with two Trapeza partnerships.

(3) During fiscal 2011, 2010 and 2009, the Company waived $8.1 million, $3.8 million and $425,000, respectively, of its fund management fees from its commercial finance investment entities, respectively.

(4) Included in fiscal 2009 is a $180,000 fee the Company received from RCC related to a one-day $4.5 million loan, which was repaid in full.

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**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 20 - CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS − (Continued)**

*Relationship with RCC.* Since March 2005, the Company has had a management agreement with RCC pursuant to which it provides certain services, including investment management and certain administrative services for RCC. The agreement, which had an original maturity date of March 31, 2009, continues to automatically renew for one-year terms unless at least two-thirds of the independent directors or a majority of the outstanding common shareholders agree to not renew it. The Company receives a base management fee, incentive compensation, property management fees and reimbursement for out-of-pocket expenses. The base management fee is equal to 1/12th of the amount of RCC's equity, as defined by the management agreement, multiplied by 1.50%. In October 2009 and January 2010, the management agreement was further amended such that RCC will directly reimburse the Company for the wages and benefits of its chief financial officer, an executive officer who devotes all of his time to serve as RCC's chairman of the board, and three accounting professionals, each of whom will be exclusively dedicated to the operations of RCC, and a director of investor relations who will be 50% dedicated to RCC's operations. In August 2010, the agreement was further amended to reduce the incentive management fee earned by the Company for any fees paid directly by RCC to employees, agents and/or affiliates of the Company with respect to profits earned by a taxable REIT subsidiary of RCC.

In February 2011, the Company entered into a services agreement with RCC to provide subadvisory collateral management and administrative services for five CDOs holding approximately $1.7 billion in bank loans whose management contracts RCC had acquired. In connection with the services provided, in February 2011 the management agreement was further amended to permit RCC to pay the Company 10% of all base and additional collateral management fees and 50% of all incentive collateral management fees it collects and reimburse its expenses relative to the management of these CDOs.

On July 20, 2011, RCC agreed to provide LEAF with up to $10.0 million in debt financing, of which $6.9 million was funded as of September 30, 2011. The loan bears interest at a fixed rate of 8.0% per annum on the unpaid principal balance, payable quarterly. In conjunction with the November 2011 LCC Transaction, the loan was settled (see Note 27).

In January 2010, RCC advanced $2.0 million to the Company under an 8% promissory note that matures on January 14, 2015. Interest is payable quarterly in arrears and requires principal repayments upon the receipt of distributions from one of the Company's real estate investment entities.

LEAF Financial originated and managed commercial finance assets on behalf of RCC prior to the formation of LEAF in January 2011. The leases and loans were typically sold to RCC at fair value plus an acquisition fee of 1% in addition to a 1% fee to then service the assets. During fiscal 2011, LEAF Financial sold $2.3 million of leases and loans to RCC prior to the formation of LEAF. During fiscal 2010, LEAF Financial sold approximately $116.0 million of leases and loans to RCC for which LEAF Financial did not receive acquisition or servicing fees and, accordingly, recognized a loss of $7.5 million, consisting of an estimated loss reserve of $3.0 million (up to a maximum of approximately $5.9 million of delinquent assets could be returned), a servicing liability of $2.5 million and a $2.0 million write-off of previously unreimbursed capitalized costs associated with the portfolio. During fiscal 2010, LEAF Financial also sold an additional $10.3 million of leases and loans to RCC. In fiscal 2009, LEAF Financial sold $6.1 million of leases and loans to RCC. In addition, from time to time, LEAF Financial repurchased leases and loans from RCC at a price equal to their fair value as an accommodation under certain circumstances, which include the consolidation of multiple customer accounts, originations of new leases when equipment is upgraded and facilitation of the timely resolution of problem accounts when collection is considered likely. LEAF Financial repurchased $0, $140,000 and $1.4 million of leases and loans from RCC during fiscal 2011, 2010 and 2009, respectively.

In June 2009, one of LEAF Financial's investment partnerships acquired net assets of $89.8 million, primarily a pool of leases, and assumed $82.3 million in related debt from a subsidiary of RCC. No gain or loss was recognized by any of the parties on the acquisition or sale. In relation to this transaction, the Company owed $7.5 million to RCC under a promissory note bearing interest at LIBOR plus 3%. In addition, the Company was due $3.0 million from the investment partnership for this transaction. The note was repaid in full to RCC and the Company received full repayment from the investment partnership in August 2009.

In December 2009, the Company recorded an adjustment of $200,000 ($173,000 net of tax) related to equity-based compensation expense for previously issued RCC restricted stock and options awarded to members of the Company's management. The Company determined that the amounts that related to prior fiscal years and quarters were immaterial to all prior fiscal years and quarters, including the impact on earnings per share and, therefore, recognized the full adjustment during the first quarter of fiscal 2010. Additionally, the impact on full-year net earnings for fiscal 2010 was immaterial.

Resource Securities has periodically facilitated transactions on behalf of RCC. No fees have been charged by Resource Securities related to these transactions.

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**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 20 - CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS − (Continued)**

*Transactions between LEAF Financial and its investment entities.* LEAF Financial originates and manages leases and loans on behalf of its investment entities (collectively, the "LEAF Funds") for which it also is the general partner. The leases and loans are sold to the LEAF Funds at fair value plus an origination fee not to exceed 2%. During fiscal 2011, 2010 and 2009, LEAF Financial sold $821,000, $65.9 million and $275.2 million, respectively, of leases and loans to the LEAF Funds. In addition, from time to time LEAF Financial repurchases leases and loans from the LEAF Funds. During fiscal 2010 and 2009, LEAF Financial repurchased $0, $6.0 million and $1.2 million, respectively, of leases and loans from the LEAF Funds at a price equal to their fair value.

*Relationship with Resource Real Estate Opportunity REIT, Inc. ("RRE Opportunity REIT").* The Company formed RRE Opportunity REIT in fiscal 2009 and the registration statement for this fund became effective with the United States Securities and Exchange Commission in June 2010. The Company is entitled to receive reimbursements for costs associated with the formation and operating expenses of RRE Opportunity REIT. As of September 30, 2011, the Company had a $3.9 million receivable due from RRE Opportunity REIT.

On June 17, 2011, the Company loaned $1.4 million to RRE Opportunity REIT at a rate of interest of 6.5% with a maturity of six months. The loan was repaid on June 28, 2011, along with related interest.

*Relationship with Atlas Energy, L.P. ("Atlas").* Mr. E. Cohen is the Company's Chairman of the Board and is the chief executive officer ("CEO") and president of the general partner of Atlas, and Mr. Jonathan Z. Cohen ("Mr. J. Cohen"), the Company's CEO and President, is the general partner's chairman of the board. Atlas subleases office space from the Company and also reimburses the Company for certain shared services. At September 30, 2011, the Company had a $79,000 receivable balance from Atlas.

*Relationship with 1845 Walnut Associates Ltd.* The Company owns a 5% investment in a real estate partnership that owns a building at 1845 Walnut Street, Philadelphia in which the Company also leases office space. In February 2009, the Company amended its lease for its offices in this building to extend the lease termination date through May 2013, with an option to extend the term for up to 15 additional years. The property is managed by another related party, Brandywine Construction and Management, Inc. ("BCMI"), as further described below.

*Relationship with Ledgewood P.C. ("Ledgewood").* Until March 2006, Mr. Jeffrey F. Brotman was the managing member of Ledgewood, which provides legal services to the Company. Mr. Brotman remained of counsel to Ledgewood through June 2007, at which time he became an Executive Vice President of the Company. In addition, Mr. Brotman was a trustee of the SERP retirement trusts until he joined the Company. In connection with his separation, Mr. Brotman will receive payments from Ledgewood through 2013.

Mr. E. Cohen, who was of counsel to Ledgewood until April 1996, receives certain debt service payments from Ledgewood related to the termination of his affiliation with Ledgewood and its redemption of his interest in the firm.

*Relationship with Graphic Images, LLC ("Graphic Images").* The Company utilizes the services of Graphic Images, a printing company, whose principal owner is the father of the Company's Chief Financial Officer. For fiscal 2011, 2010 and 2009, the Company paid to Graphic Images $111,000, $94,000 and $133,000, respectively.

*Relationship with retirement trusts.* The Company has established two trusts to fund the SERP for Mr. E. Cohen. The 1999 Trust, a secular trust, purchased 100,000 shares of the common stock of TBBK ($716,000 fair value at September 30, 2011). See "Relationship with TBBK," below. This trust and its assets are not included in the Company's consolidated balance sheets. However, trust assets are considered in determining the amount of the Company's liability under the SERP. The 2000 Trust, a "Rabbi Trust," holds 33,509 shares of common stock of TBBK carried at fair value ($240,000 at September 30, 2011). The carrying value of all of the assets in the 2000 Trust was $243,000 and $878,000 at September 30, 2011 and 2010, respectively. The Company intends to sell the remaining assets in the Rabbi 2000 Trust in order to fund future benefit payments. The SERP liability of $7.0 million is included in accrued expenses and other liabilities.

*Relationship with 9 Henmar LLC ("9 Henmar").* The Company owns interests in the Trapeza entities that have sponsored CDO issuers and manage pools of trust preferred securities acquired by the CDO issuers. The Trapeza entities and CDO issuers were originated and developed in large part by Mr. Daniel G. Cohen ("Mr. D. Cohen"). The Company agreed to pay Mr. D. Cohen's company, 9 Henmar, 10% of the fees the Company receives, before expenses, in connection with the first four Trapeza CDOs that the Company sponsored and manages. In fiscal 2011, 2010 and 2009, the Company paid 9 Henmar $50,000, $55,000 and $81,000, respectively.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 20 - CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS − (Continued)

*Relationship with TBBK.* Mr. D. Cohen is the chairman of the board and Mrs. Betsy Z. Cohen, ("Mrs. B. Cohen", who is the wife of Mr. E. Cohen (Mr. E. Cohen and Mrs. B. Cohen are the parents of Messrs. J. Cohen and D. Cohen) is the CEO of TBBK and its subsidiary bank. Beginning in June 2011, the Company sublet a portion of its New York office space to TBBK. In fiscal 2011 and 2009, the Company sold 90,210 and 99,318 of its shares of TBBK common stock for $790,000 and $601,000, respectively, and realized a gain of $186,000 and a loss of $393,000, respectively. The Company did not sell any of its TBBK stock during fiscal 2010. In addition, TBBK provides banking and operational services for LEAF Financial. During fiscal 2011, 2010 and 2009, LEAF Financial paid $5,000, $13,000, and $57,000, respectively, in fees to TBBK. Additionally, the Company held cash deposits of $41,000 and $31,000 at TBBK at September 30, 2011 and 2010, respectively.

*Relationship with certain directors, officers, employees and other related parties.* The Company serves as the general partner of seven partnerships that invest in regional domestic banks. The general partner may receive a carried interest of up to 20% upon meeting specific investor return rates. Some of the partnerships' investors wanted to ensure that certain individuals who are critical to the success of the partnerships participate in the carried interest. The total participation authorized by the Company's compensation committee was 48.5% of the 20% carried interest, of which Mr. J. Cohen is entitled to receive 10%. Nine individuals, five of whom are employees of the Company, are entitled to receive the remaining 38.5%. No carried interest has been earned by any of the individuals through September 30, 2011.

*Relationship with Brandywine Construction & Management, Inc. ("BCMI").* BCMI manages the properties underlying three of the Company's real estate loans and certain other real estate assets. Mr. Adam Kauffman, president of BCMI, or an entity affiliated with him, has also acted as the general partner, president or trustee of one of the borrowers on the loans. Mr. E. Cohen is the chairman of BCMI.

During fiscal 2009, the Company paid a $90,000 fee to BCMI in connection with the final resolution of one of its legacy real estate assets.

In March 2008, the Company sold a 19.99% interest in an indirect subsidiary that holds a hotel property in Savannah, Georgia to a limited liability company owned by Mr. Kauffman for $1.0 million plus $130,000 in fees, and recognized a gain of $612,000. The terms of the sale agreement provide for a purchase option by Mr. Kauffman to purchase up to the balance of the Company's interest in the hotel for $50,000 per 1% interest purchased. The purchase option expired in July 2011. Mr. Kauffman now has a right-of-first-offer to purchase the balance of the Company's interest in the hotel.

During fiscal 2011, the Company agreed to increase its advances to an affiliated real estate limited partnership under a revolving note to $3 million (from $2.0 million), bearing interest at the prime rate. Amounts drawn, which are due upon demand, were $2.2 million and $1.6 million as of September 30, 2011 and 2010, respectively.

## NOTE 21 – OTHER INCOME, NET

The following table details other income, net (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| RCC dividend income | $ 2,455 | $ 2,278 | $ 3,405 |
| Interest income | 547 | 434 | 340 |
| Other expense, net | (760) | (121) | (196) |
| Other income, net | $ 2,242 | $ 2,591 | $ 3,549 |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 22 – FAIR VALUE

Assets and liabilities are categorized into one of three levels based on the assumptions (inputs) used in valuing the asset or liability. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are defined as follows:

*Level 1* − Quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date.

*Level 2* − Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

*Level 3* − Unobservable inputs that reflect the entity's own assumptions about the assumptions that market participants would use in the pricing of the asset or liability and that are, consequently, not based on market activity, but upon particular valuation techniques.

As of September 30, 2011, the fair values of the Company's assets recorded at fair value on a recurring basis were as follows (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Investment securities | $ 12,768 | $ − | $ 2,356 | $ 15,124 |
| Retained financial interest – commercial finance | − | − | 22 | 22 |
| Total | $ 12,768 | $ − | $ 2,378 | $ 15,146 |
| | | | | |
| **Liabilities:** | | | | |
| Interest rate swap | $ − | $ 404 | $ − | $ 404 |

As of September 30, 2010, the fair values of the Company's assets recorded at fair value on a recurring basis were as follows (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Investment securities | $ 16,135 | $ − | $ 6,223 | $ 22,358 |
| Retained financial interest – commercial finance | − | − | 273 | 273 |
| Total | $ 16,135 | $ − | $ 6,496 | $ 22,631 |

The following table presents additional information about assets which were measured at fair value on a recurring basis for which the Company has utilized Level 3 inputs to determine fair value during fiscal 2011 (in thousands):

| | Investment Securities | Retained Financial Interest |
|---|---|---|
| Balance, beginning of year | $ 6,223 | $ 273 |
| Purchases, sales, issuances and settlements, net | (2,946) | − |
| Loss on sale of investment securities, net | (1,470) | − |
| Income accreted | 948 | − |
| Payments and distributions received | (861) | (251) |
| Change in unrealized losses – included in accumulated other comprehensive loss | 462 | − |
| Balance, end of year | $ 2,356 | $ 22 |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 22 – FAIR VALUE– (Continued)**

The following table presents additional information about assets which were measured at fair value on a recurring basis for which the Company has utilized Level 3 inputs to determine fair value during fiscal 2010 (in thousands):

| | Investment Securities | Retained Financial Interest |
|---|---|---|
| Balance, beginning of year | $ 8,245 | $ – |
| Purchases, sales, issuances and settlements, net | (2,740) | 299 |
| Change in unrealized losses – included in accumulated other comprehensive loss | 1,894 | – |
| Income accreted | 2,118 | – |
| Other-than-temporary impairment loss | (480) | – |
| Loss on sale of investment securities, net | (451) | – |
| Payments and distributions received | (2,363) | (26) |
| Balance, end of year | $ 6,223 | $ 273 |

The following is a discussion of assets and liabilities that are recorded at fair value on a recurring and non-recurring basis as well as the valuation techniques applied to each fair value measurement:

*Receivables from managed entities.* The Company recorded a discount on certain of its receivable balances due from its real estate and commercial finance managed entities due to the extended term of the repayment to the Company. The discount was computed based on estimated inputs, including the repayment term (Level 3).

*Retained interest - commercial finance*. During fiscal 2010, the Company sold leases and loans to third-parties in which portions of the proceeds were retained by the purchasers. The purchasers have the right to return leases and loans that default within periods ranging from approximately six to forty-eight months after the date of sale and to deduct the applicable percentage from the retained proceeds. The Company determines the fair value of these retained interests by calculating the present value of future expected cash flows using key assumptions for credit losses and discount rates based on historical experience and repayment terms (Level 3).

*Investment securities.* The Company uses quoted market prices (Level 1) to value its investments in RCC and TBBK common stock. The fair value of CDO investments is based primarily on internally generated expected cash flow models that require significant management judgments and estimates due to the lack of market activity and unobservable pricing inputs. Unobservable inputs into these models include default, recovery, discount and deferral rates, prepayment speeds and reinvestment interest spreads (Level 3).

*Guggenheim Securities - secured revolving facility.* The proceeds from this loan were allocated to the revolving facility and the warrants issued to the lender based on their relative fair values, as determined by an independent third-party appraiser. The appraiser determined the fair value of the debt based primarily on the interest rates of similarly rated notes with similar terms. The appraiser assessed the fair value of the equity of LEAF in making its determination of the fair value of the warrants (Level 3).

*Interest rate swaps.* These instruments are valued by a third-party pricing agent using an income approach and utilizing models that use as their primary basis readily observable market parameters. This valuation process considers factors including interest rate yield curves, time value, credit factors and volatility factors. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy (Level 2).

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 22 – FAIR VALUE– (Continued)**

*Impaired loans and leases - commercial finance*. Leases and loans are considered impaired when they are 90 or more days past due and are placed on non-accrual status. The Company records an allowance for the impaired loans and leases based upon historical experience (Level 3).

*Senior Notes*. The proceeds from the Senior Notes were allocated to the notes and the warrants based on their relative fair values. The Company used a Black-Scholes pricing model to calculate the fair value of the warrants at $4.9 million for the first issuance and $1.0 million for the subsequent issuance (Level 3).

*Servicing liability*. In May 2010, the Company sold a portfolio of leases and loans to RCC. Although it remained as the servicer for the portfolio, the Company agreed not to charge servicing fees. Accordingly, the Company recorded a servicing liability based on the present value of 1% of the portfolio sold (Level 3). This liability was eliminated as a result of the January 2011 formation of LEAF.

The Company recognized the following changes in carrying value of the assets and liabilities measured at fair value on a non-recurring basis, as follows (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Year Ended September 30, 2011** | | | | |
| Assets: | | | | |
| Investments in commercial finance – impaired loans and leases | $ – | $ – | $ 310 | $ 310 |
| Receivables from managed entities – commercial finance and real estate | – | – | 18,941 | 18,941 |
| Total | $ – | $ – | $ 19,251 | $ 19,251 |
| Liabilities: | | | | |
| Guggenheim – secured revolving credit facility | $ – | $ – | $ 49,266 | $ 49,266 |
| Total | $ – | $ – | $ 49,266 | $ 49,266 |
| | | | | |
| **Year Ended September 30, 2010** | | | | |
| Assets: | | | | |
| Investments in commercial finance – impaired loans and leases | $ – | $ – | $ 190 | $ 190 |
| Receivables from managed entities – commercial finance and real estate | – | – | 9,922 | 9,922 |
| Total | $ – | $ – | $ 10,112 | $ 10,112 |
| Liabilities: | | | | |
| Servicing liability | $ – | $ – | $ 2,478 | $ 2,478 |
| Senior Notes | – | – | 2,239 | 2,239 |
| Total | $ – | $ – | $ 4,717 | $ 4,717 |

For cash, receivables and payables, the carrying amounts approximate fair value because of the short-term maturity of these instruments.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 22 – FAIR VALUE– (Continued)

The fair value of financial instruments is as follows (in thousands):

| | September 30, 2011 | | September 30, 2010 | |
|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| **Assets:** | | | | |
| Receivables from managed entities (1) | $ 54,815 | $ 39,224 | $ 66,416 | $ 60,204 |
| Investments in commercial finance – loans held for investment | 19,640 | 19,550 | 1,661 | 1,011 |
| | $ 74,455 | $ 58,774 | $ 68,077 | $ 61,215 |
| **Borrowings:** (2) | | | | |
| Commercial finance debt | $ 183,146 | $ 183,146 | $ 20,750 | $ 20,750 |
| Corporate secured credit facilities and note | 8,743 | 8,743 | 14,127 | 14,127 |
| Real estate debt | 10,700 | 10,700 | 12,005 | 11,265 |
| Senior Notes | 16,263 | 17,438 | 14,317 | 16,884 |
| Other debt | 3,807 | 2,909 | 4,911 | 3,916 |
| | $ 222,659 | $ 222,936 | $ 66,110 | $ 66,942 |

(1) Certain of the receivables from managed entities at September 30, 2011 and 2010 have been valued using a present value discounted cash flow where market prices were not available. The discount rate used in these calculations is the estimated current market rate, as adjusted for liquidity risk.

(2) The carrying value of the Company's corporate secured revolving credit facilities and term note approximates their fair values because of their variable interest rates. The carrying value of the Company's commercial finance debt approximates its fair value due to its recent issuance at September 30, 2011 and 2010. The carrying value of the Company's real estate debt approximates fair value due to its recent issuance at September 30, 2011 and is estimated using current interest rates for similar loans at September 30, 2010. The Company estimated the fair value of the Senior Notes by applying the percentage appreciation in a high-yield fund with approximately similar quality and risk attributes as the Senior Notes. The carrying value of the Company's other debt is estimated using current interest for similar loans at September 30, 2011 and 2010. This disclosure excludes instruments valued on a recurring basis.

## NOTE 23 - COMMITMENTS AND CONTINGENCIES

*Leases.* The Company leases office space and equipment under leases with varying expiration dates through 2020. Rental expense, net of subleases, was $3.2 million, $3.2 million and $4.0 million for fiscal 2011, 2010 and 2009, respectively. The Company's office space leases in New York and in Philadelphia contain extension clauses. The Company has the ability to extend the New York lease for an additional five-year term, and one of the Philadelphia leases provides three options to extend for additional five-year terms. At September 30, 2011, future minimum rental commitments (net of subleases) under operating leases over the next five fiscal years ending September 30, and thereafter (excluding LEAF, see Note 27) were as follows (in thousands):

| | |
|---|---|
| 2012 | $ 1,921 |
| 2013 | 1,609 |
| 2014 | 1,204 |
| 2015 | 1,206 |
| 2016 | 1,222 |
| Thereafter | 4,008 |
| | $ 11,170 |

*Broker-Dealer Capital Requirement.* Resource Securities serves as a dealer-manager for the sale of securities of direct participation investment programs, both public and private, sponsored by subsidiaries of the Company who also serve as general partners and/or managers of these programs. Additionally, Resource Securities serves as an introducing agent for transactions involving sales of securities of financial services companies, REITs and insurance companies for the Company and for RCC. As a broker-dealer, Resource Securities is required to maintain minimum net capital, as defined in regulations under the Securities Exchange Act of 1934, as amended, which was $100,000 and $116,000 as of September 30, 2011 and 2010, respectively. As of September 30, 2011 and 2010, Resource Securities net capital was $254,000 and $393,000, respectively, which exceeded the minimum requirements by $154,000 and $277,000, respectively.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 23 - COMMITMENTS AND CONTINGENCIES – (Continued)

*Clawback liability.* On November 1, 2009 and January 28, 2010, the general partners of two of the Trapeza entities, which are owned equally by the Company and its co-managing partner, repurchased substantially all of the remaining limited partnership interests in the two Trapeza entities with potential clawback liabilities for $4.4 million. The Company contributed $2.2 million (its 50% share). The clawback liability was $1.2 million at September 30, 2011 and 2010.

*Legal proceedings.* In September 2011, First Community Bank, or First Community, filed a complaint against First Tennessee Bank and approximately thirty other defendants – investment banks, rating agencies, collateral managers, including TCM, and issuers of CDOs, including Trapeza CDO XIII, Ltd. and Trapeza CDO XIII, Inc. The complaint includes causes of action against TCM for fraud, negligent misrepresentation, violation of the Tennessee Securities Act of 1980 and unjust enrichment. First Community alleges, among other things, that it invested in certain CDOs, that the defendant rating agencies assigned inflated investment grade ratings to the CDOs, and that the defendant investment banks, collateral managers and issuers (including Trapeza), fraudulently and/or negligently made "materially false and misleading representations and omissions" that First Community relied on in investing in the CDOs, including both written representations in offering materials and unspecified oral representations. Specifically, with respect to Trapeza, First Community alleges that it purchased $20 million of notes in the D tranche of the Trapeza CDO XIII transaction from J.P. Morgan. Trapeza believes that none of First Community's claims have merit and intends to vigorously contest this action.

The Company also a party to various routine legal proceedings arising out of the ordinary course of business. Management believes that none of these actions, individually or in the aggregate, will have a material adverse effect on the Company's financial condition or operations.

*General corporate commitments.* As a specialized asset manager, the Company sponsors and manages investment funds in which it may make an equity investment along with outside investors. This equity investment is generally based on a percentage of funds raised and varies among investment programs. With respect to RRE Opportunity REIT, the Company is committed to invest 1% of the equity raised to a maximum amount of $2.5 million.

In July 2011, the Company entered into an agreement with one of the TIC programs it sponsored and manages. This agreement requires the Company to fund up to $1.9 million for capital improvements for the TIC property over the next two years. The Company advanced funds totaling $1.4 million as of September 30, 2011.

The Company is also party to employment agreements with certain executives that provide for compensation and other benefits, including severance payments under specified circumstances.

As of September 30, 2011, except for the clawback liability recorded for the two Trapeza entities and executive compensation, the Company did not believe it was probable that any payments would be required under any of its commitments and contingencies and, accordingly, no liabilities for these obligations were recorded in the consolidated financial statements.

## NOTE 24 – DISCONTINUED OPERATIONS

In connection with the sale of a real estate loan in March 2006, the Company agreed that in exchange for the current property owner relinquishing certain control rights, the Company would make payments to the owner under stipulated circumstances. On April 7, 2011, the Company was formally notified that a trigger event had occurred on March 17, 2011 and, accordingly, it accrued the present value of $3.4 million for the payout due to the owner under the agreement, which was reflected as a $2.2 million loss, net of tax, from discontinued operations in the consolidated statements of operations.

The discontinued operations for fiscal 2010 and 2009 primarily reflect the reversal of previously recorded interest and penalty assessments related to IRS tax examinations for fiscal 2004 and 2005, which were settled in fiscal 2010.

The summarized operating results of discontinued operations are as follows (in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| (Loss) income from discontinued operations | $ (3,387) | $ 622 | $ (377) |
| Benefit (provision) for income taxes | 1,185 | – | (67) |
| (Loss) income from discontinued operations, net of tax | $ (2,202) | $ 622 | $ (444) |

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 25 - OPERATING SEGMENTS

The Company's operations include three reportable operating segments that reflect the way the Company manages its operations and makes business decisions. In addition to its reporting operating segments, certain other activities are reported in the "all other" category. Summarized operating segment data are as follows (in thousands):

| | Real Estate | Financial Fund Management | Commercial Finance | All Other (1) | Total |
|---|---|---|---|---|---|
| **Year Ended September 30, 2011** | | | | | |
| Revenues from external customers | $ 30,275 | $ 22,904 | $ 22,460 | $ – | $ 75,639 |
| Equity in earnings (losses) of unconsolidated entities | 8,105 | 2,937 | (665) | – | 10,377 |
| Total revenues | 38,380 | 25,841 | 21,795 | – | 86,016 |
| Segment operating expenses | (24,465) | (20,562) | (15,207) | – | (60,234) |
| General and administrative expenses | (327) | (3,176) | – | (8,019) | (11,522) |
| Gain on sale of leases and loans | – | – | 659 | – | 659 |
| Provision for credit losses | (2,193) | – | (8,468) | – | (10,661) |
| Depreciation and amortization | (1,279) | (164) | (8,766) | (530) | (10,739) |
| Gain on sale of management contract | – | 6,520 | – | – | 6,520 |
| Gain on extinguishment of servicing and repurchase liabilities | – | – | 4,426 | – | 4,426 |
| (Loss) gain on sale of investment securities, net | – | (1,384) | – | 186 | (1,198) |
| Interest expense | (1,109) | – | (8,563) | (5,671) | (15,343) |
| Other income (expense), net | 544 | 2,590 | 13 | (905) | 2,242 |
| Pretax loss attributable to noncontrolling interests (2) | 52 | – | 99 | – | 151 |
| Income (loss) including noncontrolling interest before intercompany interest expense and taxes | 9,603 | 9,665 | (14,012) | (14,939) | (9,683) |
| Intercompany interest (expense) income | – | – | (1,678) | 1,678 | – |
| Income (loss) from continuing operations including noncontrolling interests before taxes | $ 9,603 | $ 9,665 | $ (15,690) | $ (13,261) | $ (9,683) |

| | Real Estate | Financial Fund Management | Commercial Finance | All Other (1) | Total |
|---|---|---|---|---|---|
| **Year Ended September 30, 2010** | | | | | |
| Revenues from external customers | $ 31,042 | $ 27,243 | $ 25,573 | $ – | $ 83,858 |
| Equity in earnings (losses) of unconsolidated entities | 869 | 5,897 | (1,896) | – | 4,870 |
| Total revenues | 31,911 | 33,140 | 23,677 | – | 88,728 |
| Segment operating expenses | (20,780) | (21,028) | (18,164) | – | (59,972) |
| General and administrative expenses | (316) | (3,668) | (428) | (8,560) | (12,972) |
| Loss on sale of leases and loans | – | – | (8,097) | – | (8,097) |
| Impairment of intangible assets | – | – | (2,828) | – | (2,828) |
| Provision for credit losses | (49) | (1) | (5,159) | – | (5,209) |
| Depreciation and amortization | (1,304) | (196) | (5,693) | (649) | (7,842) |
| Other-than-temporary impairment losses recognized in earnings | – | (480) | – | (329) | (809) |
| Interest expense | (1,074) | (3) | (6,271) | (5,738) | (13,086) |

| | | | | | |
|---|---|---|---|---|---|
| Loss on sale of loans and investment securities, net | – | (451) | – | – | (451) |
| Other income (expense), net | 387 | 2,429 | 1 | (226) | 2,591 |
| Pretax loss attributable to noncontrolling interests (2) | 61 | 8 | 4,854 | – | 4,923 |
| Income (loss) including noncontrolling interest before intercompany interest expense and taxes | 8,836 | 9,750 | (18,108) | (15,502) | (15,024) |
| Intercompany interest (expense) income | – | – | (6,115) | 6,115 | – |
| Income (loss) from continuing operations including noncontrolling interests before taxes | $ 8,836 | $ 9,750 | $ (24,223) | $ (9,387) | $ (15,024) |

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**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 25 - OPERATING SEGMENTS – (Continued)**

| Year Ended September 30, 2009 | Real Estate | Financial Fund Management | Commercial Finance | All Other (1) | Total |
|---|---|---|---|---|---|
| Revenues from external customers | $ 26,077 | $ 30,272 | $ 49,900 | $ – | $106,249 |
| Equity in (losses) earnings of unconsolidated entities | (660) | 3,072 | (1,133) | – | 1,279 |
| Total revenues | 25,417 | 33,344 | 48,767 | – | 107,528 |
| Segment operating expenses | (22,038) | (20,468) | (25,179) | – | (67,685) |
| General and administrative expenses | (232) | (3,414) | (409) | (10,314) | (14,369) |
| Gain on sale of leases and loans | – | – | 628 | – | 628 |
| Provision for credit losses | (456) | (1,738) | (6,410) | – | (8,604) |
| Depreciation and amortization | (1,370) | (398) | (4,293) | (861) | (6,922) |
| Other-than-temporary impairment losses recognized in earnings | – | (8,466) | – | (73) | (8,539) |
| Interest expense | (966) | (5,014) | (10,524) | (3,695) | (20,199) |
| Loss on sale of loans and investment securities, net | – | (11,588) | – | (393) | (11,981) |
| Other income (expense), net | 75 | 3,440 | 79 | (45) | 3,549 |
| Pretax loss attributable to noncontrolling interests (2) | 54 | 1,549 | – | – | 1,603 |
| Income (loss) including noncontrolling interest before intercompany interest expense and taxes | 484 | (12,753) | 2,659 | (15,381) | (24,991) |
| Intercompany interest (expense) income | – | – | (5,899) | 5,899 | – |
| Income (loss) from continuing operations including noncontrolling interests before taxes | $ 484 | $ (12,753) | $ (3,240) | $ (9,482) | $ (24,991) |
| | | | | | |
| **Segment assets** | | | | | |
| September 30, 2011 | $ 162,950 | $ 39,246 | $ 260,808 | $ (40,498) | $422,506 |
| September 30, 2010 | $ 155,434 | $ 36,647 | $ 81,053 | $ (39,292) | $233,842 |
| September 30, 2009 | $ 148,903 | $ 34,596 | $ 212,336 | $ (22,041) | $373,794 |

(1) Includes general corporate expenses and assets not allocable to any particular segment.

(2) In viewing its segment operations, management includes the pretax (income) loss attributable to noncontrolling interests. However, these interests are excluded from (loss) income from operations as computed in accordance with U.S. GAAP and should be deducted to compute (loss) income from operations as reflected in the Company's consolidated statements of operations.

*Geographic information.* During fiscal 2011, the Company recognized a $5.1 million net gain on the sale of its management contract with, and equity investment in, REMI I. Revenues generated from the Company's European operations totaled $2.3 million and $2.6 million for fiscal 2010 and 2009, respectively. Included in segment assets as of September 30, 2011, 2010 and 2009 were $5.4 million, $7.1 million and $5.6 million, respectively, of European assets.

*Major customer.* During fiscal 2011, 2010 and 2009, the management, incentive, servicing and acquisition fees that the Company received from RCC were 14%, 12% and 8%, respectively, of its consolidated revenues. These fees have been reported as revenues by each of the Company's operating segments.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 26 – UNAUDITED QUARTERLY FINANCIAL DATA

The following sets forth the Company's operating results by quarter (in thousands, except share data):

| | December 31 | March 31 | June 30 | September 30 |
|---|---|---|---|---|
| **Quarterly Results for Fiscal 2011** (1) | | | | |
| Revenues | $ 16,680 | $ 20,347 | $ 27,589 | $ 21,400 |
| Operating (loss) income | $ (5,610) | $ (3,679) | $ 3,764 | $ (956) |
| (Loss) income from continuing operations | $ (1,192) | $ (1,830) | $ 115 | $ (2,320) |
| Loss from discontinued operations | $ – | $ (2,153) | $ (23) | $ (26) |
| Net (loss) income | $ (1,192) | $ (3,983) | $ 92 | $ (2,346) |
| Less: Net loss (income) attributable to noncontrolling interests | $ 625 | $ (283) | $ (503) | $ (638) |
| Net loss attributable to common shareholders | $ (567) | $ (4,266) | $ (411) | $ (2,984) |
| | | | | |
| Basic and Diluted loss per common share: | | | | |
| Continuing operations | $ (0.03) | $ (0.11) | $ (0.02) | $ (0.15) |
| Discontinued operations | $ 0.00 | $ (0.11) | $ 0.00 | $ 0.00 |
| Net loss | $ (0.03) | $ (0.22) | $ (0.02) | $ (0.15) |

| **Quarterly Results for Fiscal 2010** (2) | December 31 | March 31 | June 30 | September 30 |
|---|---|---|---|---|
| Revenues | $ 25,422 | $ 19,400 | $ 25,238 | $ 18,668 |
| Operating income (loss) | $ 4,420 | $ (1,876) | $ (5,134) | $ (5,602) |
| Income (loss) from continuing operations | $ 588 | $ (1,845) | $ (6,589) | $ (9,451) |
| (Loss) income from discontinued operations | $ – | $ (2) | $ (1) | $ 625 |
| Net income (loss) | $ 588 | $ (1,847) | $ (6,590) | $ (8,826) |
| Less: Net loss attributable to noncontrolling interests | $ 383 | $ 615 | $ 1,275 | $ 951 |
| Net income (loss) attributable to common shareholders | $ 971 | $ (1,232) | $ (5,315) | $ (7,875) |
| | | | | |
| Basic and Diluted earnings (loss) per common share: | | | | |
| Continuing operations | $ 0.05 | $ (0.06) | $ (0.28) | $ (0.44) |
| Net income (loss) | $ 0.05 | $ (0.06) | $ (0.28) | $ (0.41) |

(1) Fiscal 2011 – significant events by quarter:

- December 31 – includes a net gain of $5.1 million ($3.2 million net of tax) on the sale of the Company's management contract and equity investment in REM I ($0.17 per share-diluted).
- March 31 – included a $3.4 million ($2.2 million net of tax) loss from discontinued operations in connection with the March 2006 sale of a real estate loan in which the Company agreed to make payments under certain circumstances to the current owner. In March 2011, a triggering event occurred ($0.11 per share-diluted).
- June 30 – included a $7.6 million ($3.3 million net of tax) equity gain based on the Company's interest in an office building that was sold in Washington, DC ($0.17 per share-diluted).
- September 30 – the gain related to the third quarter sale of the Washington, DC building sale increased by $800,000 ($361,000 net of tax, or $0.02 per share-diluted) based on the release of funds from escrow in October 2011.

(2) Fiscal 2010 – significant events by quarter:

- June 30 – included a $7.2 million ($5.9 million net of tax) loss on the sale of leases and loans to RCC ($0.31 per share-diluted).
- September 30 – reflected a $2.8 million charge for the impairment of intangible assets ($0.16 per share-diluted) as well as a $445,000 impairment charge for other investment securities ($0.03 per share-diluted) and $2.9 million ($0.15 per share diluted) income tax expense for the write-off of an unrealizable deferred tax asset and

receivable. In addition, the Company waived $1.8 million ($0.10 per share-diluted) of commercial finance management fees from four of its investment entities.

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**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**
**SEPTEMBER 30, 2011**

## NOTE 27 – SUBSEQUENT EVENTS

*Securitization of leases and loans.* On October 28, 2011, LEAF completed a $105.0 million securitization. A newly-formed subsidiary of LEAF issued eight classes of notes which are asset-backed debt, secured and payable by certain assets of LEAF. The notes included eight fixed rate classes of notes ranging from 0.4% to 5.5%, rated by both DBRS, Inc and Moody's Investors Services, Inc. and mature from October 2012 to March 2019.

*The November 2011 LCC Transaction.* On November 16, 2011, the Company and LEAF, together with RCC and Resource TRS, Inc., a wholly-owned subsidiary of RCC ("TRS"), entered into a stock purchase agreement and related agreements (collectively the "SPA") with Eos Partners, L.P., a private investment firm, and its affiliates ("Eos"). Pursuant to the SPA, Eos invested $50.0 million in cash in LEAF in exchange for 50,000 shares of newly-issued 12% Series A Participating Preferred Stock (the "Series A Preferred Stock"), and warrants to purchase 2,954 shares of LEAF common stock for an exercise price of $.01 per share collectively representing, on a fully-diluted basis, a 45.1% interest in LEAF.

In exchange for its prior interest in LEAF, TRS received 31,341 shares of Series A Preferred Stock, 4,872 shares of newly issued 8% Series B Redeemable Preferred Stock (the "Series B Preferred Stock") and 2,364 shares of newly issued Series D Redeemable Preferred Stock (the "Series D Preferred Stock"), collectively representing, on a fully-diluted basis, a 26.7% interest in LEAF.

The Company will retain 18,414 shares of LEAF $.001 par value common stock, representing a fully-diluted interest of 15.7%, and senior management of LEAF will maintain its current level of ownership.

The Series A Preferred Stock is voting, convertible to common stock at the option of the holder, and mandatorily converts upon the consummation of an initial public offering or certain other events. The Series B and Series D Preferred Stock are non-voting and are redeemable by LEAF at any time. The Series D Preferred Stock mandatorily converts upon the consummation of an initial public offering or certain other events.

In connection with the transactions, Eos received specified control rights of LEAF, including rights with respect to approving or initiating fundamental corporate transactions.

Simultaneous with the closing of the Eos investment, LEAF obtained a commitment from Versailles Assets LLC, an asset-backed commercial paper conduit administered by Natixis, to provide funding of an additional $75.0 million, increasing the total availability under LEAF's existing revolving credit facility to $185.0 million.

LEAF used approximately $11.2 million of the Eos investment to repay indebtedness owed to TRS ($8.5 million) and the Company ($2.7 million), representing 85% of the outstanding indebtedness owed to TRS and the Company that was funded in the form of inter-company advances prior to the closing of this transaction. As a result of the transactions described herein, the Company will deconsolidate LEAF and account for its investment in LEAF on the equity method on a going forward basis.

In accordance with the SPA, the Company and TRS have undertaken a contingent obligation with respect to the value of the equity on the balance sheet of LEAF Receivables Funding 3, LLC ("LRF 3"), a wholly-owned subsidiary of LEAF which owns equipment, equipment leases and notes. To the extent that the value of the equity on the balance sheet of LRF 3 is less than approximately $18.7 million (the value of the equity of LRF 3 on the date it was contributed to LEAF by TRS), as of the final testing date within 90 days of December 31, 2013, the Company and TRS have agreed to be jointly and severally obligated to contribute cash to LEAF to make up the deficit.

**RESOURCE AMERICA, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**
**SEPTEMBER 30, 2011**

**NOTE 27 – SUBSEQUENT EVENTS – (Continued)**

The following reflects selected consolidated balance sheet line items on a pro forma basis, giving effect to the deconsolidation of LEAF as of September 30, 2011, as follows (in thousands):

| | As Reported at September 30, 2011 | Deconsolidation of LEAF | Pro forma at September 30, 2011 |
|---|---|---|---|
| **Assets:** | | | |
| Restricted cash | $ 20,257 | $ (17,317) | $ 2,940 |
| Investments in commercial finance, net | 192,012 | (192,012) | – |
| Goodwill | 7,969 | (7,969) | – |
| Total assets | 422,506 | (227,893) | 194,613 |
| | | | |
| **Liabilities:** | | | |
| Accrued expenses and other liabilities | $ 40,887 | $ (10,486) | $ 30,401 |
| Borrowings | 222,659 | (184,700) | 37,959 |
| Total liabilities | 264,778 | (195,374) | 69,404 |

The Company has evaluated subsequent events through the filing of this Form 10-K and determined there were no events that have occurred that would require adjustments to the consolidated financial statements.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

## ITEM 9A. CONTROLS AND PROCEDURES.

### Disclosure Controls

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of our chief executive officer and chief financial officer, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in *Internal Control – Integrated Framework*. Based upon this assessment, our management concluded that, as of September 30, 2011, our internal control over financial reporting is effective.

Our independent registered public accounting firm, Grant Thornton LLP, audited our internal control over financial reporting as of September 30, 2011. Their report dated December 12, 2011, which is included following this Item 9A, expressed an unqualified opinion on our internal control over financial reporting.

### Changes in Internal Control over Financial Reporting

Beginning in the fourth quarter of fiscal 2010 and continuing through September 30, 2011, management implemented remedial changes for a material weakness as identified as of September 30, 2010 related to one control deficiency. Our processes, procedures and controls related to income taxes were not effective to ensure amounts related to certain deferred tax assets and liabilities and deferred income tax expense were accurate. Accordingly, we designed our remediation efforts to address the material weakness identified and have taken the following steps to improve our internal control over financial reporting:

- for each of the quarters in fiscal 2011, we adjusted the amount of deferred taxes related to restricted stock compensation expense; and
- implemented improved annual processes and procedures related to calculating and reconciling our deferred income tax assets and liabilities, including the validation of the underlying supporting data.

Management believes these new control processes and procedures have remediated the material weakness in our disclosure controls and procedures over deferred income taxes.

Other than the remedial efforts discussed above, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
**RESOURCE AMERICA, INC.**

We have audited Resource America, Inc. (a Delaware Corporation) and subsidiaries (the Company) internal control over financial reporting as of September 30, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Resource America, Inc. maintained, in all material respects, effective control over financial reporting as of September 30, 2011, based on criteria established in *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Resource America, Inc. and subsidiaries as of September 30, 2011 and 2010 and the related consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended September 30, 2011 and our report dated December 12, 2011, expressed an unqualified opinion.

**/s/ GRANT THORNTON LLP**

Philadelphia, Pennsylvania
December 12, 2011

## ITEM 9B. OTHER INFORMATION.

None.

# PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item will be set forth in our definitive proxy statement with respect to our 2012 annual meeting of stockholders, to be filed on or before January 30, 2012 ("2012 proxy statement"), which is incorporated herein by this reference.

## ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item will be set forth in our 2012 proxy statement, which is incorporated herein by this reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item will be set forth in our 2012 proxy statement, which is incorporated herein by this reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item will be set forth in our 2012 proxy statement, which is incorporated herein by this reference.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item will be set forth in our 2012 proxy statement, which is incorporated herein by this reference.

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## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

**(a)** The following documents are filed as part of this Annual Report on Form 10-K

**1. Financial Statements**

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets at September 30, 2011 and 2010
Consolidated Statements of Operations for the Years Ended September 30, 2011, 2010 and 2009
Consolidated Statements of Changes in Equity for the Years Ended
September 30, 2011, 2010 and 2009
Consolidated Statements of Cash Flows for the Years Ended September 30, 2011, 2010 and 2009
Notes to Consolidated Financial Statements − September 30, 2011

**2. Financial Statement Schedules**

**Schedule II – Valuation and Qualifying Accounts**
**Schedule III - Investments in Real Estate**
**Schedule IV – Investments in Mortgage Loans on Real Estate**

**3. Exhibits**

| Exhibit No. | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation of Resource America. (1) |
| 3.2 | Amended and Restated Bylaws of Resource America. (1) |
| 4.1 | Note Purchase Agreement (including the form of Senior Note and form of Warrant). (2) |
| 4.2 | Indenture between LEAF Funding SPE 1, LLC and U.S. Bank National Association, dated August 20, 2010. (3) |
| 4.2(a) | Supplemental Indenture Number One, dated April 27, 2011, to the Indenture, dated as of December 5, 2010, by and among LEAF Capital Funding SPE A, LLC, as Issuer, U.S. Bank National Association, as Trustee and Custodian, and Guggenheim Securities, LLC, as Administrative Agent. (15) |
| 10.1(a) | Loan and Security Agreement, dated May 24, 2007, between Resource America, Inc., Commerce Bank, N.A. and the other parties thereto. (4) |
| 10.1(b) | First Amendment and Joinder to Loan and Security Agreement, dated July 18, 2007. (6) |
| 10.1(c) | Second Amendment and Joinder to Loan and Security Agreement, dated November 15, 2007. (6) |
| 10.1(d) | Third Amendment to Loan and Security Agreement, dated August 7, 2008, dated May 24, 2007, between Resource America, Inc., TD Bank, N.A. (successor by merger to Commerce Bank, N.A.) and the other parties hereto. (7) |
| 10.1(e) | Fourth Amendment to Loan and Security Agreement, dated September 30, 2008, dated May 24, 2007, between Resource America, Inc., TD Bank, N.A. (successor by merger to Commerce Bank, N.A.) and the other parties hereto. (8) |
| 10.1(f) | Fifth Amendment to Loan and Security Agreement, dated December 19, 2008, dated May 24, 2007, between Resource America, Inc., TD Bank, N.A. (successor by merger to Commerce Bank, N.A.) and the other parties hereto. (5) |
| 10.1(g) | Sixth Amendment to Loan and Security Agreement, dated March 26, 2009, dated May 24, 2007, between Resource America, Inc., TD Bank, N.A. and the other parties hereto. (9) |
| 10.1(h) | Seventh Amendment to Loan and Security Agreement, dated May 15, 2009, dated May 24, 2007, between Resource America, Inc., TD Bank, N.A. and the other parties hereto. (10) |
| 10.1(i) | Eighth Amendment to Loan and Security Agreement, dated November 6, 2009, dated May 24, 2007, between Resource America, Inc., TD Bank, N.A. and the other parties hereto. (11) |
| 10.1(j) | Ninth Amendment to Loan and Security Agreement, dated December 14, 2010, dated May 24, 2007, between Resource America, Inc., TD Bank, N.A. and the other parties hereto. (12) |
| 10.1(k) | Amended and Restated Loan and Security Agreement, dated March 10, 2011, between Resource America, Inc. and TD Bank, N.A. (14) |
| 10.1(j) | First Amendment to the Amended and Restated Loan and Security Agreement, dated as of November 29, 2011, between Resource America, Inc. and TD Bank, N.A. (17) |
| 10.2 | Amended and Restated Employment Agreement between Michael S. Yecies and Resource America, Inc., dated December 29, 2008. (9) |
| 10.3 | Amended and Restated Employment Agreement between Thomas C. Elliott and Resource America, Inc., dated December 29, 2008. (9) |
| 10.4 | Amended and Restated Employment Agreement between Jeffrey F. Brotman and Resource America, Inc., dated December 29, 2008. (9) |
| 10.5 | Amended and Restated Employment Agreement between Jonathan Z. Cohen and Resource America, Inc., dated December 29, 2008. (9) |

10.6 Amended and Restated Employment Agreement between Steven J. Kessler and Resource America, Inc., dated December 29, 2008. (9)

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| | |
|---|---|
| 10.7 | Loan Agreement between and among Republic First Bank (d/b/a Republic Bank) and Resource Capital Investor, Inc. and Resource Properties XXX, Inc. (13) |
| 10.7(a) | Loan Modification Agreement between and among Republic First Bank (d/b/a Republic Bank) and Resource Capital Investor, Inc. and Resource Properties XXX, Inc. (16) |
| 10.8 | Indenture between LEAF Receivables Funding 7, LLC and U.S. Bank National Association, dated as of September 7, 2011. |
| 12.1 | Ratio of Earnings to Fixed Charges. |
| 21.1 | Subsidiaries of Resource America, Inc. |
| 23.1 | Consent of Grant Thornton LLP. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 1350 18 U.S.C., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 1350 18 U.S.C., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Interactive Data Files |

(1) Filed previously as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended December 31, 1999 and by this reference incorporated herein.

(2) Files previously as an exhibit to our Current Report on Form 8-K filed on October 1, 2009 and by this reference incorporated herein.

(3) Filed previously as an exhibit to our Annual Report on Form 10-K for the fiscal year ended September 30, 2010 and by this reference incorporated herein.

(4) Filed previously as an exhibit to our Current Report on Form 8-K filed on June 1, 2007 and by this reference incorporated herein.

(5) Filed previously as an exhibit to our Current Report on Form 8-K filed on December 24, 2008 and by this reference incorporated herein.

(6) Filed previously as an exhibit to our Annual Report on Form 10-K for the fiscal year ended September 30, 2007 and by this reference incorporated herein.

(7) Filed previously as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and by this reference incorporated herein.

(8) Filed previously as an exhibit to our Current Report on Form 8-K filed on October 6, 2008 and by this reference incorporated herein.

(9) Filed previously as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 and by this reference incorporated herein.

(10) Filed previously as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and by this reference incorporated herein.

(11) Filed previously as an exhibit to our Current Report on Form 8-K filed on November 9, 2009 and by this reference incorporated herein.

(12) Filed previously as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 and by this reference incorporated herein.

(13) Filed previously as an exhibit to our Current Report on Form 8-K filed on March 3, 2011 and by this reference incorporated herein.

(14) Filed previously as an exhibit to our Current Report on Form 8-K filed on March 15, 2011 and by this reference incorporated herein.

(15) Filed previously as an exhibit to our Current Report on Form 8-K filed on May 3, 2011 and by this reference incorporated herein.

(16) Filed previously as an exhibit to our Current Report on Form 8-K filed on September 28, 2011 and by this reference incorporated herein.

(17) Filed previously as an exhibit to our Current Report on Form 8-K filed on December 2, 2011 and by this reference incorporated herein.

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

| | |
|---|---|
| | RESOURCE AMERICA, INC. |
| December 12, 2011 | By: /s/ Jonathan Z. Cohen |
| | JONATHAN Z. COHEN |
| | Chief Executive Officer and President |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| | | |
|---|---|---|
| /s/ Edward E. Cohen<br>EDWARD E. COHEN | Chairman of the Board | December 12, 2011 |
| /s/ Jonathan Z. Cohen<br>JONATHAN Z. COHEN | Director, President and Chief Executive Officer (Principal Executive Officer) | December 12, 2011 |
| /s/ Michael J. Bradley<br>MICHAEL J. BRADLEY | Director | December 12, 2011 |
| /s/ Carlos C. Campbell<br>CARLOS C. CAMPBELL | Director | December 12, 2011 |
| /s/ Kenneth A. Kind<br>KENNETH A. KIND | Director | December 12, 2011 |
| /s/ Hersh Kozlov<br>HERSH KOZLOV | Director | December 12, 2011 |
| /s/ Andrew M. Lubin<br>ANDREW M. LUBIN | Director | December 12, 2011 |
| /s/ John S. White<br>JOHN S. WHITE | Director | December 12, 2011 |
| /s/ Thomas C. Elliott<br>THOMAS C. ELLIOTT | Senior Vice President and Chief Financial Officer (Principal Financial Officer) | December 12, 2011 |
| /s/ Arthur J. Miller<br>ARTHUR J. MILLER | Vice President, and Chief Accounting Officer (Principal Accounting Officer) | December 12, 2011 |

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**Resource America, Inc.**
**Schedule II – Valuation and Qualifying Accounts**
**(in thousands)**

| | Balance at Beginning of Year | Additions Charged to Costs and Expenses | Amounts Written-off Against the Allowance, Net of Recoveries | Balance at End of Year |
|---|---|---|---|---|
| **Allowance for management fees – commercial finance:** | | | | |
| September 30, 2011 | $ 1,075 | $ 7,237 | $ – | $ 8,312 |
| September 30, 2010 | $ – | $ 1,852 | $ (777) | $ 1,075 |
| September 30, 2009 | $ – | $ – | $ – | $ – |
| **Allowance for management fees – real estate:** | | | | |
| September 30, 2011 | $ – | $ 2,178 | $ – | $ 2,178 |
| September 30, 2010 | $ – | $ – | $ – | $ – |
| September 30, 2009 | $ – | $ – | $ – | $ – |
| **Allowance for investments in real estate loans:** | | | | |
| September 30, 2011 | $ 49 | $ – | $ (49) | $ – |
| September 30, 2010 | $ 1,585 | $ 49 | $ (1,585) | $ 49 |
| September 30, 2009 | $ 1,129 | $ 456 | $ – | $ 1,585 |
| **Allowance for investments in commercial finance assets:** | | | | |
| September 30, 2011 | $ 900 | $ 1,231 | $ (1,701) | $ 430 |
| September 30, 2010 | $ 3,210 | $ 3,307 | $ (5,617) | $ 900 |
| September 30, 2009 | $ 1,750 | $ 6,410 | $ (4,950) (1) | $ 3,210 |
| **Allowance for investments in loans held for investment:** | | | | |
| September 30, 2011 | $ – | $ – | $ – | $ – |
| September 30, 2010 | $ – | $ 1 | $ (1) | $ – |
| September 30, 2009 | $ 1,595 | $ 1,738 | $ (3,333) (2) | $ – |
| **Allowance for trade receivables:** | | | | |
| September 30, 2011 | $ – | $ 15 | $ – | $ 15 |
| September 30, 2010 | $ – | $ – | $ – | $ – |
| September 30, 2009 | $ – | $ – | $ – | $ – |

(1) Includes a $1.5 million reduction due to the deconsolidation of LCFF.

(2) Includes a $2.6 million reduction due to the deconsolidation of Apidos CDO VI.

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**Resource America, Inc.**
**SCHEDULE III**
**Real Estate and Accumulated Depreciation**
**September 30, 2011**
**(dollars in thousands)**

| Column A | Column B | Column C | Column D | Column E | Column F | Column G | Column H | Column I |
|---|---|---|---|---|---|---|---|---|
| Description | Encumbrances | Initial Cost to Company | Cost Capitalized Subsequent to Acquisition | Gross Amount at which Carried at Close of Period | Accumulated Depreciation | Date of Construction | Date Acquired | Life on Which Depreciation in Latest Income is Computed |
| | | Buildings and Land Improvements | Improvements Carrying Costs | Buildings and Land Improvements Total | | | | |
| **Real Estate Owned:** | | | | | | | | |
| Hotel Savannah, GA | $ 10,007 | $ 10,187 | $ 2,114 | $ 16,588 | $ 4,537 | 1853 | 6/30/2005 | 40 years |
| Commercial Philadelphia, PA | – | 2,874 | 540 | 3,413 | 248 | 1924 | 1/09/2009 | 37 years |
| Office Building Moberly, MO | 1,440 | 1,866 | – | 1,866 | 166 | 1998 | 11/30/2007 | 39 years |
| **Assets of Consolidated Variable Interest Entity (a):** | | | | | | | | |
| Commercial Retail Elkins West, WV | – | 1,600 | – | 1,600 | 656 | 1963 | 7/01/2003 | 40 years |
| | $ 11,447 | $ 16,527 | $ 2,654 | $ 23,467 | $ 5,607 | | | |

(a) The date acquired reflects the date the Company adopted the provisions of FASB Accounting Standards Codification, or ASC, section 810-10. Amounts as reflected for the variable interest entity are on a one-quarter lag as permitted under ASC 810-10.

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Balance, beginning of year | $ 23,234 | $ 25,241 | $ 22,132 |
| Additions: | | | |
| Acquired through foreclosure | – | – | 2,874 |
| Improvements | 233 | 293 | 235 |
| Other – basis adjustments | – | – | – |
| | 23,467 | 25,534 | 25,241 |
| Deductions: | | | |
| Cost of real estate sold | – | 2,300 | – |
| Other − write-down | – | – | – |
| Balance, end of year | $ 23,467 | $ 23,234 | $ 25,241 |

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**Resource America, Inc.**
**SCHEDULE IV**
**Mortgage Loans on Real Estate**
**September 30, 2011**
**(in thousands)**

| Column A<br>Description | Column B<br>Interest Rate | Column C<br>Final Maturity Date | Column D<br>Periodic Payment Term | Column E<br>Prior Liens | Column F<br>Face Amount of Mortgage | Column G<br>Carrying Amount of Mortgage | Column H<br>Principal Amount of Loan Subject to Delinquent Principal or Interest |
|---|---|---|---|---|---|---|---|
| **Second Lien Loan** | | | | | | | |
| Office building - Omaha, NE | Fixed interest rate of 8% | 8/31/2011 | (a) | $ – | $ 73 | $ – | $ – |

(a) No current payments

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Balance, beginning of year | $ 49 | $ 4,447 | $ 15,869(b) |
| Additions: | | | |
| Other | – | 2,027 | 266 |
| | 49 | 6,474 | 16,135 |
| Deductions: | | | |
| Foreclosed loans | – | – | 2,837 |
| Collections of principal | – | 4,840 | 8,851(b) |
| Charge-offs | (49) | 1,585 | – |
| | (49) | 6,425 | 11,688 |
| Balance, end of year | $ – | $ 49 | $ 4,447 |

(b) This balance does not include a note receivable, which was not a mortgage, related to a partial sale of our interest in a real estate venture; the note was paid-off during fiscal 2009.

**Exhibit 10.8**

**EXECUTION VERSION**

# INDENTURE

between

**LEAF RECEIVABLES FUNDING 7, LLC**,

as Issuer,

**U.S. BANK NATIONAL ASSOCIATION,**
as Trustee and Custodian

**Equipment Contract Backed Notes, Series 2011-2, Class A-1A,**
**Equipment Contract Backed Notes, Series 2011-2, Class A-1B,**
**Equipment Contract Backed Notes, Series 2011-2, Class A-2,**
**Equipment Contract Backed Notes, Series 2011-2, Class B,**
**Equipment Contract Backed Notes, Series 2011-2, Class C,**
**Equipment Contract Backed Notes, Series 2011-2, Class D,**
**Equipment Contract Backed Notes, Series 2011-2, Class E-1**
**and**
**Equipment Contract Backed Notes, Series 2011-2, Class E-2**

Dated as of September 7, 2011

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**EXHIBITS**

This Indenture, dated as of September 7, 2011 (as amended, supplemented or modified from time to time, this "*Indenture*"), is entered into between LEAF RECEIVABLES FUNDING 7, LLC, a Delaware limited liability company, as Issuer and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Trustee and as Custodian.

## PRELIMINARY STATEMENT

The Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of its Equipment Contract Backed Notes, Series 2011-2 (the "*Notes*"), issuable as provided in this Indenture. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders and the Class A Note Insurer. The Issuer and the Custodian are entering into this Indenture, and the Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

All things necessary to make this Indenture a valid agreement of the Issuer, the Trustee and the Custodian in accordance with its terms have been done.

## GRANTING CLAUSE

To secure the payment of the principal of and interest on the Notes in accordance with their terms, the payment of all sums payable under this Indenture and the other Transaction Documents and the performance of the covenants contained in this Indenture and the other Transaction Documents, the Issuer hereby Grants to the Trustee, solely in trust and as collateral security as provided in this Indenture, for the benefit of the Secured Parties, a security interest in all of the Issuer's "accounts," "deposit accounts," "chattel paper," "payment intangibles," "commercial tort claims," "supporting obligations," "promissory notes," "letter-of-credit rights," "documents," "goods," "fixtures," "general intangibles," "instruments," "inventory," "equipment," "investment property," "proceeds" (as each of the foregoing terms is defined in the UCC), rights, interests and property (whether now owned or hereafter acquired or arising), including the Issuer's right, title and interest (whether now owned or hereafter acquired or arising) in and to and under the following: (a) the Contracts listed on the Contract Schedule; (b) the related Contract Assets; (c) the Assignment Agreements; (d) any rights of the Issuer under the Purchase and Contribution Agreement and the Purchase and Sale Agreement; (e) any rights of the Issuer under the Servicing Agreement; (f) the Reserve Account, the Collection Account, the Prefunding Account and the Capitalized Interest Account and all amounts from time to time on deposit therein (including any Eligible Investments, investment property and other property at any time and from time to time in such accounts); (g) all amounts from time to time on deposit in the Lockbox Account with respect to the Contracts and the Equipment; (h) the interest of the Issuer in the Equipment; (i) any Insurance Policy and Insurance Proceeds; and (j) all income, payments and proceeds of the foregoing (including, but not by way of limitation, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind, investment property and other forms of obligations and receivables which at any time constitute all or part or are included in the proceeds of any of the foregoing) (all of the foregoing being hereinafter referred to as the "*Collateral*"). The foregoing Grant, transfer, assignment, set over and conveyance does not constitute and is not intended to result in a creation or an assumption by the Trustee or the Secured Parties of any obligation of the Issuer, the Servicer or any other Person in connection with the Collateral or under any agreement or instrument relating thereto. In furtherance and not in limitation of the foregoing, the Issuer hereby assigns to the Trustee, for the benefit of the Secured Parties, all of its right, title and interest in and to all liens and security interests in any assets, and all UCC financing statements related thereto. Notwithstanding the foregoing, Security Deposits shall not constitute part of the Collateral.

The Trustee acknowledges its acceptance on behalf of the Secured Parties of a security interest in all of the Issuer's right, title and interest in and to the Collateral and declares that it shall maintain the Collateral in accordance with the provisions hereof.

## ARTICLE I
## DEFINITIONS

*Section 1.01* *Definitions*. Except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms used but not otherwise defined herein have the meaning set forth in the Definitions Annex attached hereto as Schedule II.

*Section 1.02* *Certain Rules of Construction*. Unless the context of this Indenture clearly requires otherwise: (a) references to the plural include the singular and to the singular include the plural; (b) references to any gender include any other gender; (c) the words "include" and "including" are not limiting; (d) the words "hereof," "herein," "hereby," and "hereunder," and any other similar words, refer to this Indenture as a whole and not to any particular provision hereof; and (e) article, section, subsection, clause, exhibit, and schedule references are to this Indenture. Article, section, and subsection headings are for convenience of reference only, shall not constitute a part of this Indenture for any other purpose, and shall not affect the construction of this Indenture. All exhibits and schedules attached hereto are incorporated herein by this reference. Any reference herein to this Indenture or any other agreement, document, or instrument includes all permitted alterations, amendments, changes, extensions, modifications, renewals, or supplements thereto or thereof, as applicable.

## ARTICLE II
## NOTE FORM

*Section 2.01* *Form Generally*. The Notes and the related certificates of authentication shall be in substantially the form described in this Indenture, with such appropriate insertions, omissions, substitutions and other variations as are expressly required or permitted by this Indenture. The Notes may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may, consistently herewith, be determined appropriate by the officers executing such Notes, as evidenced by their execution of the Notes. The terms of each Note are intended to be incorporated into this Indenture.

*Section 2.02* *Multiple Classes of Notes; Form for Each Class; Rights of Each Class*. This Indenture provides for the issuance by the Issuer of eight classes of Notes, the Class A-1A Notes, the Class A-1B Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes,

the Class E-1 Notes and the Class E-2 Notes. Each Note shall bear upon its face the designation of the Class to which it belongs. Each Class A-1A Note issued in the form of a Global Note shall be in the form of Exhibit A-1 attached hereto, and each Class A-1A Note issued in the form of a Definitive Note shall be in the form of Exhibit A-2 attached hereto. Each Class A-1B Note issued in the form of a Global Note shall be in the form of Exhibit A-3 attached hereto, and each Class A-1B Note issued in the form of a Definitive Note shall be in the form of Exhibit A-4 attached hereto. Each Class A-2 Note issued in the form of a Global Note shall be in the form of Exhibit A-5 attached hereto, and each Class A-2 Note issued in the form of a Definitive Note shall be in the form of Exhibit A-6 attached hereto. Each Class B Note issued in the form of a Global Note shall be in the form of Exhibit B-1 attached hereto, and each Class B Note issued in the form of a Definitive Note shall be in the form of Exhibit B-2 attached hereto. Each Class C Note issued in the form of a Global Note shall be in the form of Exhibit C-1 attached hereto, and each Class C Note issued in the form of a Definitive Note shall be in the form of Exhibit C-2 attached hereto. Each Class D Note issued in the form of a Global Note shall be in the form of Exhibit D-1 attached hereto, and each Class D Note issued in the form of a Definitive Note shall be in the form of Exhibit D-2 attached hereto. Each Class E-1 Note issued in the form of a Global Note shall be in the form of Exhibit E-1 attached hereto, and each Class E-1 Note issued in the form of a Definitive Note shall be in the form of Exhibit E-2 attached hereto. Each Class E-2 Note issued in the form of a Global Note shall be in the form of Exhibit E-3 attached hereto, and each Class E-2 Note issued in the form of a Definitive Note shall be in the form of Exhibit E-4 attached hereto. All Notes in the same Class shall be in substantially identical form except for differences in registration information and denomination and such other variations as may be permitted by this Indenture.

(a) *Global Notes*. The Notes are being offered and sold by the Issuer to the Initial Purchaser pursuant to the Note Purchase Agreement.

Notes offered and sold to QIBs in reliance on Rule 144A shall be issued initially in the form of Rule 144A Global Notes, which shall be delivered by the Trustee to the Security Depository or pursuant to the Security Depository's instructions, and registered in the name of the Security Depository or a nominee of the Security Depository, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided. The Outstanding Note Balance of the Rule 144A Global Notes may from time to time be increased (up to the maximum authorized amount) or decreased by adjustments made on the records of the Trustee and the Security Depository or its nominee as hereinafter provided. The Trustee shall not be liable for any error or omission by the Security Depository in making such record adjustments, and the records of the Trustee shall be controlling with regard to the Outstanding Note Balance of Rule 144A Global Notes hereunder absent manifest error.

Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding Notes from time to time endorsed thereon and that the aggregate amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee, or by the Note Registrar at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.07 hereof.

Except as set forth in Section 2.07 hereof, the Global Notes may be transferred, in whole and not in part, only to another nominee of the Security Depository or to a successor of the Security Depository or its nominee.

(b) *Book-Entry Provisions*. This Section 2.02(b) shall apply only to the Rule 144A Global Notes deposited with or on behalf of the Security Depository.

The Issuer shall execute and the Trustee shall, in accordance with this Section 2.02(b), authenticate and deliver one Global Note for each Class of Notes which shall be (i) registered in the name of the Security Depository or the nominee of the Security Depository and (ii) delivered by the Trustee to the Security Depository or pursuant to the Security Depository's instructions.

Members of, or participants in, the Security Depository shall have no rights either under this Indenture with respect to any Global Note held on their behalf by the Security Depository or by the Trustee as custodian for the Security Depository or under such Global Notes, and the Security Depository may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner of such Global Notes for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Security Depository or impair, as between the Security Depository and its Agent Members, the operation of customary practices of such Security Depository governing the exercise of the rights of an owner of a beneficial interest in any Global Notes.

So long as there are no Definitive Notes Outstanding, the Note Registrar and the Trustee shall treat the Security Depository for all purposes of this Indenture (including the payment of principal of and interest on the Notes and the giving of instructions or directions hereunder) as the sole Holder of the Notes, and shall have no obligation to the Note Owners.

The rights of Note Owners shall be exercised only through the Security Depository and shall be limited to those established by law and agreements between such Note Owners and the Security Depository and/or the Agent Members. The initial Security Depository will make book-entry transfers among the Agent Members and receive and transmit payments of principal of and interest on the Notes to such Agent Members with respect to such Global Notes.

Whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Holders of Notes evidencing a specified percentage of the Outstanding amount of the Notes, the Security Depository shall be deemed to represent such percentage only to the extent that it (i) has received instructions to such effect from Note Owners and/or Agent Members owning or representing, respectively, such required percentage of the beneficial interest in the Notes and (ii) has delivered such instructions to the Trustee.

(c) *Definitive Notes*. Except as provided in Section 2.05, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated definitive, fully registered Notes (any such Notes, the "*Definitive Notes*"). The Definitive Notes shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

(d) Each Note issued under this Indenture shall be in all respects equally and ratably secured with each other Note by the Collateral Granted by the Issuer hereunder. Each Note shall be entitled to the benefits hereof, without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture. Notwithstanding the foregoing, all cash amounts shall be applied by the Trustee in accordance with Section 13.03(c) and the other the express provisions hereof.

*Section 2.03* *Denomination*. The Initial Note Balance of the Class A-1A Notes that may be authenticated and delivered under this Indenture is $15,000,000, the Initial Note Balance of the Class A-1B Notes that may be authenticated and delivered under this Indenture is $5,000,000, the Initial Note Balance of the Class A-2 Notes that may be authenticated and delivered under this Indenture is $61,995,000, the Initial Note Balance of the Class B Notes that may be authenticated and delivered under this Indenture is $5,403,000, the Initial Note Balance of the Class C Notes that may be authenticated and delivered under this Indenture is $6,907,000, the Initial Note Balance of the Class D Notes that may be authenticated and delivered under this Indenture is $3,119,000, the Initial Note Balance of the Class E-1 Notes that may be authenticated and delivered under this Indenture is $4,234,000 and the Initial Note Balance of the Class E-2 Notes that may be authenticated and delivered under this Indenture is $3,342,000, except for Notes of the same Class authenticated and delivered upon registration of transfer, or in exchange for, or in lieu of, other Notes pursuant to Sections 2.06, 2.08 or 10.05. The Notes shall be issuable only as registered Notes without coupons in the denominations of at least $100,000 with respect to any Note and multiples of $1,000 for any amount in excess thereof; *provided* that the foregoing shall not restrict or prevent the transfer, in accordance with Sections 2.06 and 2.07, of any "stub" Note with a remaining Outstanding Note Balance of less than $100,000 with respect to any Note.

*Section 2.04* *Execution, Authentication, Delivery and Dating*. The Notes shall be executed on behalf of the Issuer by the manual or facsimile signature of one of its authorized officers. Notes bearing the manual or facsimile signatures of individuals who were at any time authorized officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices subsequent to the authentication or delivery of such Notes.

Each Note shall be dated as of the date of its authentication. No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee upon receipt of an Issuer Order or by any Authenticating Agent by the manual signature of one of its authorized officers, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

*Section 2.05* *Issuance of Definitive Notes*. If Book-Entry Notes have been issued with respect to any Class and (a) the Issuer advises the Trustee that the Security Depository is no longer willing or able to discharge properly its responsibilities with respect to such Class and the Trustee or the Issuer is unable to locate a qualified successor, (b) the Issuer at its option elects to terminate the book-entry system through DTC, or (c) after the occurrence of an Event of Default, Noteholders of not less than 50% of the Outstanding Note Balance of Notes of any Class advise the Trustee and DTC that it is no longer in the best interests of such Class to have the Notes of such Class in book-entry form, then upon surrender to the Trustee of any such Notes by the Security Depository, accompanied by registration instructions from the Security Depository for registration of Definitive Notes, the Issuer shall execute and the Trustee shall authenticate and the Note Registrar shall deliver such Definitive Notes to the applicable Noteholders. Neither the Issuer nor the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. The Trustee shall recognize the Holders of such Definitive Notes as Noteholders hereunder.

*Section 2.06* *Registration, Registration of Transfer and Exchange*.

(a) The Issuer shall cause to be kept a register (the "*Note Register*") at the office of an agent (the "*Note Registrar*"), in accordance with Section 7.13, and in which, subject to such reasonable regulations as it may prescribe, the Note Registrar shall, on behalf of the Issuer, provide for the registration, issuance and ownership of the Notes and the registration of transfers of the Notes. The Trustee is hereby appointed the initial Note Registrar. The Class A Note Insurer, each Noteholder and, if the Note Registrar is someone other than the Trustee, the Trustee shall have the right to examine the Note Register at all reasonable times and to rely conclusively upon an Officer's Certificate of the Note Registrar as to the names and addresses of the Noteholders and the Outstanding Note Balances and numbers of such Notes as held.

(b) The Notes have not been registered under the Securities Act or the securities laws of any jurisdiction. Consequently, the Notes are not transferable other than pursuant to Rule 144A. Each Person who has or who acquires any Ownership Interest in a Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of this Section 2.06.

(c) With respect to any Definitive Note, at the option of the Noteholder thereof, Notes may be exchanged for other Notes of any authorized denominations (together with any "stub note" reflecting the remaining Outstanding Note Balance of such Note(s) that is less than the minimum authorized denomination), Outstanding Note Balance and Stated Maturity Date, upon surrender of the Notes to be exchanged at the Corporate Trust Office. Whenever any Notes are so surrendered for exchange, the Issuer shall execute, and the Trustee or its agents shall authenticate and deliver, the Notes which the Noteholder making the exchange is entitled to receive.

(d) With respect to any Definitive Note, any Definitive Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed. All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same rights, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange. No service charge shall be charged to a Noteholder for any registration of transfer or exchange of Notes, but the Issuer and the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes.

(i) *Limitation on Transfer and Exchange*. (1) The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Security Depository, in accordance with this Indenture and the procedures of the Security Depository therefor, which shall include restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Beneficial interests in a Global Note may be transferred to persons who take delivery thereof in the form of a beneficial interest in the same Global Note in accordance with the transfer restrictions set forth in the legend in subsection (d)(xii) of Section 2.07.

(e) *Transfer and Exchange from Definitive Notes to Definitive Notes*. When Definitive Notes are presented by a Holder to the Note Registrar with a request:

(i) to register the transfer of Definitive Notes in the form of other Definitive Notes; or

(ii) to exchange such Definitive Notes for an equal Outstanding Note Balance of Definitive Notes of other authorized denominations, the Note Registrar shall register the transfer or make the exchange as requested; *provided, however,* that the Definitive Notes presented or surrendered for register of transfer or exchange:

(A) shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Note Registrar duly executed by such Holder or by his attorney, duly authorized in writing; and

(B) shall be accompanied by an Investment Letter substantially in the form of Exhibit I attached hereto shall be delivered by the proposed transferee to the Issuer and to the Trustee to the effect that such transfer is in compliance with Rule 144A.

(f) *Restrictions on Transfer and Exchange of Global Notes*. Notwithstanding any other provision of this Indenture, a Global Note may not be transferred as a whole except by the Security Depository to a nominee of the Security Depository or by a nominee of the Security Depository to the Security Depository or another nominee of the Security Depository or by the Security Depository or any such nominee to a successor Security Depository or a nominee of such successor Security Depository.

(g) Each purchaser of a Note or an interest in a Note, other than the Initial Purchaser, will be deemed to have represented and agreed as follows:

(i) It understands that the Notes will be offered and may be resold by the Initial Purchaser only to QIBs pursuant to Rule 144A.

(ii) It understands that the Notes have not been registered under, and were transferred to it in a transaction not involving any public offering within the meaning of, the Securities Act, and that if in the future it decides to re-offer, resell, pledge or otherwise transfer such Notes it will do so only in accordance with applicable state securities laws and pursuant to Rule 144A to a Person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, purchasing for its own account or for the account of a QIB, whom the holder has informed that such re-offer, resale, pledge or other transfer is being made in reliance on Rule 144A or to the Issuer pursuant to the terms of the Indenture.

(iii) It acknowledges that none of the Issuer, the Initial Purchaser or any Person representing the Issuer or the Initial Purchaser has made any representation to it with respect to the Issuer, any affiliates thereof or the offering or sale of the Notes, other than the information contained in the Offering Circular. It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment purposes only, and not with a view to, or for offer or resale in connection with, any distribution thereof in violation of the Securities Act or the applicable state securities laws, subject to any requirements of law that the disposition of its property or the property of such investor account be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A.

(iv) If it is acquiring any Note as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to such account and that it has full power to make the acknowledgments, representations and agreements contained herein on behalf of each such account.

(v) It is (1) a QIB purchasing for its own account or for the account of another QIB and it, and such other Person (if applicable), are aware that the sale to it is being made in reliance on Rule 144A and (2) with respect to the Class E-2 Notes, is a U.S. Person.

(vi) It acknowledges that transfers of the Notes shall otherwise be subject in all respects to the restrictions applicable thereto contained in this Indenture.

(vii) (A) It is not (and for so long as it holds any Notes or an interest therein will not be), and is not acting on behalf of (and for so long as it holds any Notes or an interest herein will not be acting on behalf of), an *"employee benefit plan"* as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, a plan described in Section 4975(e)(1) of the Code or an entity which is deemed to hold the assets of any such plan (*"Plan Assets"*) pursuant to 29 C.F.R. Section 2510.3-101 as modified by Section 3(42) of ERISA (the *"Plan Asset Regulation"*) (each a *"Benefit Plan Investor"*), (B) in the case of a Class A-1A Note, Class A-1B Note, Class A-2 Note, Class B Note, Class C Note, Class D Note or Class E-1 Note, (i) its acquisition and continued holding of such Note will be covered by a statutory exemption or a prohibited transaction class exemption issued by the United States Department of Labor, (ii) at the time of acquisition such Notes are rated at least investment grade and (iii) it believes that such Notes are properly treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations and agrees to so treat such Notes or (C) in the case of a Class A-1A Note, Class A-1B Note, Class A-2 Note, Class B Note, Class C Note, Class D Note or Class E-1 Note, it has provided the Trustee with an opinion of counsel, which opinion of counsel will not be at the expense of the Trustee, the Issuer, the Servicer, the Class A Note Insurer or the Initial Purchaser, which opines that the purchase, holding and transfer of such Note or interest therein is permissible under applicable law, will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code and will not subject the Trustee, the Issuer, the Servicer or the Initial Purchaser to any obligation in addition to those undertaken herein.

(viii) It acknowledges and agrees to treat the Notes as debt for all federal, state and local income tax purposes.

(ix) [Reserved];

(x) It is purchasing one or more Notes in an amount of at least $100,000, and it understands that such Notes may be resold, pledged or otherwise transferred in an amount of at least $100,000 (unless the Outstanding Note Balance of such Note shall be less than $100,000).

(xi) It understands that the Notes will bear a legend substantially to the following effect unless the Issuer determines otherwise consistent with applicable law:

> For Rule 144A Global Notes Only: Unless this Note is presented by an authorized representative of The Depository Trust Company, a New York corporation (*"DTC"*), to the transferor of such Note or its agent for registration of transfer, exchange or payment, and any Note issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge or the use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.
>
> THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE *"SECURITIES ACT")*, OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT (*"RULE 144A")* TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (*"QIB")* WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN

WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN *"EMPLOYEE BENEFIT PLAN"* AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (*"ERISA"*) THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE *"CODE"*), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN (*"PLAN ASSETS"*) PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE *"PLAN ASSET REGULATION"*) (EACH A *"BENEFIT PLAN INVESTOR"*), (B) IN THE CASE OF A CLASS A-1A NOTE, CLASS A-1B NOTE, CLASS A-2 NOTE, A CLASS B NOTE, A CLASS C NOTE, CLASS D NOTE OR A CLASS E-1 NOTE (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION SUCH NOTES ARE RATED AT LEAST INVESTMENT GRADE AND (III) IT BELIEVES THAT SUCH NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES OR (C) IN THE CASE OF A CLASS A-1A NOTE, CLASS A-1B NOTE, CLASS A-2 NOTE, A CLASS B NOTE, A CLASS C NOTE, A CLASS D NOTE OR A CLASS E-1 NOTE, IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER, OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

(xii) It acknowledges that the Issuer, the Servicer, the Initial Purchaser and others will rely on the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agrees that if any of the foregoing acknowledgments, representations and agreements deemed to have been made by it are no longer accurate, it shall promptly notify the Issuer, the Servicer and the Initial Purchaser.

(h) Except as otherwise required under the Note Purchase Agreement, the Initial Purchaser shall not be required to deliver, and neither the Issuer nor the Trustee shall demand therefrom, any of the certifications or opinions described in this Section 2.07 in connection with the initial issuance of the Notes and the delivery thereof by the Issuer.

*Section 2.07* *Mutilated, Destroyed, Lost or Stolen Note*. (a) If (i) any mutilated Note is surrendered to the Trustee or the Issuer, or the Trustee and the Issuer receive evidence to their reasonable satisfaction of the destruction, loss or theft of any Note, and (ii) in the case of a destroyed, lost, or stolen Note, there is delivered to the Trustee and the Issuer such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Trustee and the Issuer that such Note has been acquired by a bona fide purchaser and provided that the requirements of Section 8-405 of the UCC are satisfied, the Issuer shall execute and, upon a written request therefor by the Trustee and the Issuer shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a new Note of the same Class, tenor and Outstanding Note Balance, bearing a number not contemporaneously outstanding. If, after the delivery of such new Note, a bona fide purchaser of the original Note in lieu of which such new Note was issued presents such original Note for payment, the Trustee and the Issuer shall be entitled to recover such new Note from the Person to whom it was delivered or any Person taking title there from, except a bona fide purchaser, and the Trustee and the Issuer shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee and the Issuer, in connection therewith. If any such mutilated, destroyed, lost or stolen Note shall have become or shall be about to become due and payable in full, or shall have been called for redemption in full, instead of issuing a new Note, the Issuer may pay such Note without surrender thereof, except that any mutilated Note shall be surrendered.

Upon the issuance of any new Note under this Section, the Issuer or the Note Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Subject to the above provisions of this Section 2.07, every new Note issued pursuant to this Section 2.07, in lieu of any destroyed, lost or stolen Note, shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.07 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

*Section 2.08* *Payment of Principal and Interest; Rights Preserved*.

(a) For each applicable Interest Accrual Period, the Notes of each Class shall accrue interest on the Outstanding Note Balance thereof at the Note Rate applicable to such Class; *provided however*, that with respect to the Subordinated Notes and on each Payment Date, interest shall be deemed not to have accrued during the previous Interest Accrual Period on an amount equal to the Impairment of such Class of Subordinated Notes. Notwithstanding the foregoing, if, on any subsequent Payment Date and with respect to each Class of Subordinated Notes, no Impairment is allocated to such Class of Subordinated Notes, all Deferred Interest for such Class of Subordinated Notes shall be deemed to have accrued during the immediately preceding Interest Accrual Period and be payable on such Payment Date as Note Current Interest. All interest accrued hereunder on the Notes of each Class shall be calculated on the basis of a three-hundred-sixty (360)-day year comprised of twelve 30-day months. All interest accrued hereunder on the Notes of each Class shall accrue through the day preceding the Stated Maturity Date for such Class and, to the extent that the payment of such interest shall be legally enforceable, (except with respect to Deferred Interest) on any overdue payment of interest at the Note Rate from the date such interest becomes due and payable (giving effect to any applicable grace periods herein) until fully paid. All accrued interest shall be due and payable in arrears on each Payment Date and shall be paid by the Trustee to the Noteholders in accordance with Section 13.03. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

(b) The principal of each Note shall be payable on each Payment Date beginning on the Initial Payment Date unless such Note becomes due and payable at an earlier date by declaration of acceleration in accordance with Article VI or call for redemption in accordance with Article XI. The installment of principal due on the Class A-1A Notes on any Payment Date shall, to the extent of Available Funds in accordance with Section 13.03 on such Payment Date, be paid as set forth in Section 13.03(c)(xiii) or Section 13.03(d)(xiii), as applicable. The installment of principal due on the Class A-1B Notes on any Payment Date shall, to the extent of Available Funds in accordance with Section 13.03 on such Payment Date, be paid as set forth in Section 13.03(c)(xiii) or Section 13.03(d)(xiv), as applicable. The installment of principal due on the Class A-2 Notes on any Payment Date shall, to the extent of Available Funds in accordance with Section 13.03 on such Payment Date, be paid as set forth in Section 13.03(c)(xiii) or Section 13.03(d)(xv), as applicable. The installment of principal due on the Class B Notes on any Payment Date shall, to the extent of Available Funds in accordance with Section 13.03 on such Payment Date, be paid as set forth in Section 13.03(c)(xv) or Section 13.03(d)(xvii), as applicable. The installment of principal due on the Class C Notes on any Payment Date shall, to the extent of Available Funds in accordance with Section 13.03 on such Payment Date, be paid as set forth in Section 13.03(c)(xvi) or Section 13.03(d)(xviii), as applicable. The installment of principal due on the Class D Notes on any Payment Date shall, to the extent of Available Funds in accordance with Section 13.03 on such Payment Date, be paid as set forth in Section 13.03(c)(xvii) or Section 13.03(d)(xix), as applicable. The installment of principal due on the Class E-1 Notes on any Payment Date shall, to the extent of Available Funds in accordance with Section 13.03 on such Payment Date, be paid as set forth in Section 13.03(c)(xviii) or Section

13.03(d)(xx), as applicable. The installment of principal due on the Class E-2 Notes on any Payment Date shall, to the extent of Available Funds in accordance with Section 13.03 on such Payment Date, be paid as set forth in Section 13.03(c)(xix) or Section 13.03(d)(xxi), as applicable. In each foregoing case, installments of principal shall be paid no later than the applicable Stated Maturity Date. The Outstanding Note Balance of any Note (together with interest thereon and all other amounts due and payable hereunder or in respect of the Notes) shall be due and payable in full on the Stated Maturity Date for such Note. All reductions in the Outstanding Note Balance of a Note effected by payment of such installments of principal shall be binding upon all future Noteholders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal shall be payable to Noteholders in the same Class on a pro rata basis based upon the relative Outstanding Note Balance of the Notes in such Class as of the related date of determination; *provided* that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

(c) The principal of and interest on the Notes, and other amounts payable to the Noteholders under Section 13.03, are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Person whose name appears as the Registered Holder of such Note on the Note Register at the address of such Person as it appears on the Note Register or, at the option of any Noteholder, by wire transfer in immediately available funds to the account specified in writing to the Trustee by such Registered Holder at least five (5) Business Days prior to the Record Date for the Payment Date on which wire transfers will commence, in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. All payments on the Notes shall be paid without any requirement of presentment. The Issuer shall notify the Person in whose name a Note is registered at the close of business on the Record Date immediately preceding the Payment Date on which the Issuer expects that the final installment of principal of such Note will be paid. Such notice shall be mailed no later than the tenth (10th) day prior to such Payment Date and shall specify the place where such Note may be surrendered. Funds representing any such checks returned undeliverable shall be held in accordance with Section 7.15. Each Noteholder shall promptly surrender its Note to the Trustee at the Corporate Trust Office or in the case of mutilated, destroyed, lost or stolen Notes, as provided in Section 2.07, upon payment of the final installment of principal of such Note.

*Section 2.09* *Persons Deemed Owner*. Prior to due presentment for registration of transfer of any Note, the Issuer, the Trustee, the Note Registrar, the Class A Note Insurer, the Paying Agent and any agent of any of the foregoing shall treat the Person in whose name any Note is registered in the Note Register as the owner of such Note for the purpose of receiving payments of principal and interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and none of the Issuer, the Trustee, the Note Registrar, the Class A Note Insurer, the Paying Agent or any agent of the foregoing shall be affected by notice to the contrary.

*Section 2.10* *Cancellation*. All Notes surrendered to the Trustee for payment, registration of transfer or exchange (including Notes surrendered to any Person other than the Trustee which shall be delivered to the Trustee) shall be promptly canceled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.11, except as expressly permitted by this Indenture. All canceled Notes held by the Trustee shall be disposed of by the Trustee in accordance with its standard practice.

*Section 2.11* *Notices to Security Depository*. Whenever any notice or other communication is required to be given to Noteholders of any Class with respect to which Book-Entry Notes have been issued, unless and until Definitive Notes shall have been issued to the related Noteholders, the Trustee shall give all such notices and communications to the applicable Security Depository.

*Section 2.12* *Tax Treatment; Withholding Taxes*.

(a) The Issuer has structured the transaction contemplated by this Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, the Servicer, the Class A Note Insurer, the Back-up Servicer, each Noteholder and each beneficial owner of a Note by acceptance of its Note or a beneficial interest therein, each agree to treat the Notes as indebtedness of the Issuer for all tax purposes and further agrees not to take any action inconsistent with such treatment, unless and to the extent otherwise required by any taxing authority under applicable law.

Notwithstanding anything in any Transaction Document to the contrary, effective from the date of commencement of discussions with respect to the transactions contemplated by such documents, all parties hereto, the Class A Note Insurer and the Noteholders may disclose to any and all Persons, without limitation of any kind, the U.S. Federal income tax treatment and tax structure of the Notes and the transactions contemplated hereby and all materials of any kind, including tax opinions or other tax analyses, if any, that are provided to such Persons regarding such tax treatment.

(b) Notwithstanding any other provision in this Indenture to the contrary or the other Transaction Documents, the Trustee, as Paying Agent for and on behalf of, and at the direction of the Servicer, shall comply with any and all federal withholding requirements under applicable law, as modified by the practice of any relevant taxing authority then in effect. If any withholding tax is imposed on any payment by the Issuer (or allocation of income) under the Notes, such tax shall reduce the amount otherwise payable to such Noteholder or the Class A Note Insurer. Any amounts so withheld shall be treated as having been paid to the related Noteholder for all purposes of this Indenture. Failure of a Noteholder, the Class A Note Insurer or a beneficial owner of a Note to provide the Trustee or other paying agent with appropriate tax certificates may result in amounts being withheld from the payment to such Noteholder, the Class A Note Insurer or beneficial owner. In no event shall the consent of Noteholders be required for any withholding.

## ARTICLE III
## INITIAL, SUBSTITUTE AND ADDITIONAL CONTRACTS

*Section 3.01* *Conditions Precedent to the Acquisition of Initial, Substitute and Additional Contracts*. Each acquisition by the Issuer of an Initial Contract, Substitute Contract or Additional Contract from the Transferor on any Acquisition Date is subject to, in addition to the conditions specified in Section 3.04 of the Servicing Agreement, in the case of Substitute Contracts, and Section 13.06 hereof, in the case of Additional Contracts, satisfaction of the following conditions precedent on or prior to the relevant date specified below:

(a) By 10:00 am (New York time) on the Business Day prior to any proposed Acquisition Date, the Transferor shall have delivered to the Issuer, the Trustee, the Custodian, the Back-up Servicer and the Class A Note Insurer (A) a draft Transfer Certificate substantially in the form set forth on Exhibit J attached hereto (the "*Transfer Certificate*"), (B) a draft Contract Schedule (in the case of the Initial Contracts) or otherwise an Amendment to the Contract Schedule containing the information required to be provided with respect to the Initial Contracts, Substitute Contracts and/or Additional Contracts and related Contract Assets to be acquired by the Issuer on such Acquisition Date, as specified in the definition of Contract Schedule, (C) if applicable, a draft of the Release Agreement relating to any Existing Indebtedness, and (D) a draft Assignment Agreement with respect to each Initial Contract, Substitute Contract and Additional Contract to be acquired by the Issuer on such Acquisition Date.

(b) By 10:00 am (New York time) on the Business Day prior to any proposed Acquisition Date of any Substitute Contracts, the Issuer shall have delivered or shall have caused to be delivered to the Custodian, the original Contracts to be substituted as described in the proposed Amendment to the Contract Schedule and the related Contract Files.

(c) By 11:00 am (New York time) on the proposed Acquisition Date, the Transferor shall cause to be delivered the final executed Assignment Agreement, Contract Schedule (in the case of the Initial Contracts) or otherwise an Amendment to the Contract Schedule, and Release Agreement (if applicable) along with a final executed Transfer Certificate, in each case, such document or certificate containing changes from the draft document delivered pursuant to Section 3.01(a) above, if any, reflecting corrections or deletions of exceptions noted in the draft Contract Schedule (in the case of the Initial Contracts) or otherwise draft Amendment to the Contract Schedule resulting from the Custodian's review of the related Initial Contracts, Substitute Contracts and Additional Contracts and the Contract Files related thereto pursuant to Section 4.03(b). The Transfer Certificate shall confirm that (A) each Initial Contract, Substitute Contract or Additional Contract, as applicable, is a Contract that satisfies each of the representations and warranties set forth in Clause (3) or (4) of the related Assignment Agreement, (B) all applicable filings required under Sections 4.01(a)(v) and 4.02 have been made or are in effect, (C) no Event of Default or Cumulative Net Loss Trigger Event shall exist prior to or after giving effect to the acquisition of such Initial Contracts, Substitute Contracts and/or Additional Contracts, (D) the Overconcentration Test and any additional overconcentration tests specified in the Insurance Agreement after giving effect to the acquisition of such Contract have been satisfied and (E) all other conditions to the acquisition of Substitute Contracts or Additional Contracts, as applicable, specified in this Section 3.01 and Section 3.04(b) of the Servicing Agreement (in the case of Substitute Contracts) and Section 13.06 hereof (in the case of Additional Contracts) have been satisfied.

(d) Not later than the tenth (10th) Business Day after the related Acquisition Date, the Custodian shall deliver to the Issuer, the Trustee, the Servicer and the Class A Note Insurer, an executed Custodian Certificate and Exception Report, resulting from the Custodian's review of the Initial Contracts, Substitute Contracts or Additional Contracts, as applicable. In accordance with Section 4.04(a), each Contract identified as having exceptions in such Exception Report shall be subject to a Warranty Event unless the exceptions are waived by the Control Party or corrected within thirty (30) days of the date of delivery of that Exception Report.

A document or certificate described in clause (a), (b), (c) or (d) above shall be regarded as timely delivered if it is delivered by fax (with written confirmation of transmission) as of the applicable time described above; *provided* that, the originally executed copy shall be delivered by the applicable party promptly thereafter.

(e) With respect to any Contract substituted for an Early Termination Contract, the Issuer shall be allowed to use the Collections received in respect thereof to purchase a new Substitute Contract in lieu of distributing such Collections in accordance with Section 13.03, *provided* that, such purchase of a Substitute Contract shall occur simultaneously with the Issuer's receipt of such Collections or such Collections shall be held not later than the Payment Date (or the then current Collection Period) on deposit in the Collection Account until such Substitute Contract is so purchased; *provided, further*, that if such Substitute Contract is not purchased on or before the immediately following Payment Date such Collections shall be disbursed in accordance with Section 13.03. Notwithstanding the foregoing, any Substitute Contract so substituted for such Early Termination Contract, and related Contract Assets, must meet the same requirements as those specified in the form of Assignment Agreement attached to the Purchase and Contribution Agreement.

(f) If a Contract is to be removed and replaced with another lease or equipment finance contract transferred to the Issuer by the Transferor pursuant to the Servicing Agreement, such "substitute" lease or equipment finance contract shall become a Contract for all purposes of the Transaction Documents and may be referred to as a Substitute Contract. Acquisition of any Substitute Contract shall be subject to the satisfaction of the conditions described in Article III of this Indenture.

(g) Upon satisfaction of the conditions specified in the Transaction Documents, including this Section 3.01, and any conditions to the repurchase of Contracts under the Purchase and Contribution Agreement or substitution of Contracts under the Servicing Agreement (as the case may be), the Trustee shall, upon receipt of the Contract Repurchase Price and/or the Substitute Contract, and the Request for Release, release the Contract and related Contract Assets being repurchased by the Transferor or substituted for by the Transferor from the Lien of this Indenture.

(h) In addition to the conditions specified above, at no time may the sum of (1) the aggregate Discounted Contract Balance of Substitute Contracts (as measured on their respective Cut-Off Dates) and (2) the aggregate Discounted Contract Balance of Contracts (as measured on their respective Cut-Off Dates) repurchased by the Transferor, but excluding Contracts repurchased pursuant to Warranty Events pursuant to Section 6.1(a) of the Purchase and Contribution Agreement or Section 3.09 of the Servicing Agreement, exceed 9.00% of the aggregate Discounted Contract Balance of all Initial Contracts (as measured on the Initial Cut-Off Date) and the aggregate Discounted Contract Balance of all Additional Contracts (as measured on their respective Cut-Off Dates). The Trustee and Custodian shall have no duty to monitor the limit set forth in this Section 3.01(h).

(i) With respect to any Substitute Contracts, as of the related Cut-Off Date, the Substitute Contracts then being transferred have a Discounted Contract Balance that is not less than the Discounted Contract Balance of the Contracts being replaced, and the last remaining Scheduled Payment date under such Substitute Contracts shall not be later than the latest Stated Maturity Date for the Notes and such Substitute Contracts do not have remaining terms which would materially extend the life of the Notes.

## ARTICLE IV
## ISSUANCE OF NOTES; CERTAIN ISSUER OBLIGATIONS

*Section 4.01* *Conditions to Issuance of Notes*. All Notes shall be executed by the Issuer and delivered to the Trustee for authentication. The Notes issued on the Closing Date shall be authenticated and delivered by the Trustee upon Issuer Order and upon satisfaction of the following conditions precedent:

(a) receipt by the Trustee and the Class A Note Insurer, or its agents, of the following, in form and substance satisfactory to the Class A Note Insurer and the Initial Purchaser, which satisfaction shall be evidenced to the Trustee by receipt of item 4.01(a)(xv) below from the Class A Note Insurer and the Initial Purchaser:

(i) a copy of an officially certified document, dated not more than ten (10) days prior to the Closing Date, evidencing the due organization and good standing of each of the Issuer, the Servicer, the Seller and the Transferor;

(ii) certified copies of the organizational documents (together with all amendments thereto) of the Issuer, the Servicer, the Seller and the Transferor, along with certified resolutions or certified executed consents of each of the Issuer, the Servicer, the Seller and the Transferor, authorizing the execution, delivery and performance of the Transaction Documents and the transactions contemplated by the Transaction Documents by such entities and certificates evidencing the incumbency of the officers executing such Transaction Documents;

(iii) certified copies of requests for information or copies (or a similar search report certified by a party acceptable to the Control Party and the Initial Purchaser), dated a date reasonably near to the Closing Date (no earlier than ten (10) days prior to the Closing Date), listing all effective tax and judgment liens and financing statements which name the Seller or the Transferor as debtor and which are filed in the jurisdictions in which the statement referred to in clause (v)(1) below (in the case of the Seller) or (v)(2) (in the case of the Transferor) were or are to be filed, together with copies of such tax and judgment liens and financing statements (none of which, other than financing statement naming the party under the Transaction Documents to which transfers (including grants of security interests) thereunder purport to have been made, shall cover any of the property purported to be conveyed thereunder unless such financing statements are to be released prior to or on the Closing Date);

(iv) certified copies of requests for information or copies (or a similar search report certified by a party acceptable to the Control Party's and the Initial Purchaser's counsel), dated a date reasonably near to the Closing Date (no earlier than ten (10) days prior to the Closing Date), listing all effective tax and judgment liens and financing statements which name Issuer (under its present name and any previous name) as debtor and which are filed in the jurisdictions in which the statement referred to in clause (v)(1) below was or is to be filed, together with copies of such tax and judgment liens and financing statements (none of which, other than financing statements naming the party under the Transaction Documents to which transfers (including grants of security interests) thereunder purport to have been made, shall cover any of the property purported to be conveyed thereunder unless such financing statements are to be released prior to or on the Closing Date);

(v) except as otherwise provided below, evidence of filing (or evidence of delivery for filing to the appropriate filing offices) of, and each of the following, together with evidence of all filing fees, taxes or other amounts required to be paid in connection with the following have been paid:

(1) UCC-1 financing statements, for filing with the Secretary of State of the State of Delaware, naming the Seller, as debtor, the Transferor, as assignor secured party, and the Trustee, for the benefit of the Secured Parties, as the total assignee secured party;

(2) UCC-1 financing statements, for filing with the Secretary of State of the State of Delaware, naming the Transferor, as debtor, the Issuer, as assignor secured party, and the Trustee, for the benefit of the Secured Parties, as the total assignee secured party;

(3) UCC-1 financing statements, for filing with the Secretary of State of the State of Delaware, naming the Issuer, as debtor, and the Trustee, for the benefit of the Secured Parties, as Secured Party;

(4) UCC-3 financing statement releases evidencing the release of all Liens related to the Existing Indebtedness relating to the Initial Contracts;

(5) such other, similar instruments or documents, as may be necessary or, in the opinion of the Class A Note Insurer or any Noteholder, desirable under the UCC of all appropriate jurisdictions or any comparable law to perfect the transfers (including grants of security interests) under the Transaction Documents;

(vi) a fully executed original counterpart of each Assignment Agreement related to the initial Contract Assets, the Purchase and Contribution Agreement, the Purchase and Sale Agreement, the Indemnification Agreement, the Premium Letter, the Insurance Agreement, this Indenture, the Servicing Agreement, the Securities Account Control Agreement and the Note Purchase Agreement shall have been received by the Initial Purchaser, the Class A Note Insurer or their respective agents;

(vii) a copy of the fully executed Lockbox Intercreditor Agreement and the Joinder to Lockbox Intercreditor Agreement shall have been received by the Initial Purchaser, the Class A Note Insurer or their respective agents;

(viii) written evidence of establishment of the Reserve Account, the Collection Account, the Servicer Transition Account, the Prefunding Account, the Capitalized Interest Account and continued existence of the Lockbox Account;

(ix) a certificate listing the Servicing Officers of the Servicer as of the Closing Date;

(x) confirmation (A) that the Rating Agencies have issued rating letters confirming ratings for the Notes as set forth in the Offering Circular and (B) from the Class A Note Insurer that it or its agents have received all rating letters or other rating confirmations as it may reasonably require;

(xi) executed favorable legal opinions of counsel to the Servicer, the Issuer, the Transferor, the Back-up Servicer, the Custodian and the Trustee, addressed to the Trustee, the Class A Note Insurer, the Back-up Servicer and the Initial Purchaser (as applicable), dated the Closing Date and covering general corporate matters, the due execution and delivery of, and the enforceability of, each of the Transaction Documents to which the Servicer, the Issuer, the Transferor, the Back-up Servicer, the Custodian and the Trustee (individually or in any other capacity) is party, true sale, non-consolidation, security interest, tax matters and such other matters as the Class A Note Insurer or the Initial Purchaser may request;

(xii) certificates of the Secretary or Assistant Secretary of each of the Servicer, the Issuer, the Transferor, dated as of the Closing Date, and certifying (A) that attached thereto is a true, complete and correct copy of (a) the organizational documents of the Servicer, the Transferor and the Issuer (as applicable), and (b) resolutions duly adopted by the Servicer, the Issuer and the Transferor authorizing the execution, delivery and performance of the Transaction Documents to which it is a party and the transactions contemplated thereunder, and that such resolutions have not been amended, modified, revoked or rescinded, and (B) as to the incumbency and specimen signature of each officer executing any Transaction Documents on behalf of the Servicer, the Issuer and the Transferor (as the case may be);

(xiii) copies of all waivers, licenses, approvals or consents, if any, required or advisable, in the opinion of the Class A Note Insurer and the Initial Purchaser, in connection with the execution, delivery and performance by the Servicer, the Issuer and the Transferor (as the case may be) of the Transaction Documents (and the validity and enforceability thereof), which waivers, licenses, approvals or consents shall be in full force and effect;

(xiv) written confirmation of the payment (or deposit for payment with the Trustee) of all fees and expenses of the Trustee, the Custodian, the Class A Note Insurer, the Back-up Servicer, the Initial Purchaser (including the fees and charges of their respective agents, auditors and counsel) accrued as of the Closing Date;

(xv) issuance of the Class A Insurance Policy and delivery of the one and only original of the same to the Trustee, with a receipt thereof delivered to the Initial Purchaser;

(xvi) Reserved;

(xvii) such additional documents, instruments, certificates, opinions, ratings letters or other confirmations as the Initial Purchaser or the Class A Note Insurer may reasonably request.

(b) all Collateral in which a security interest has been granted to the Trustee under the Indenture shall be subject to no other Liens other than Permitted Liens.

*Section 4.02* *Security for Notes*.

(a) The Servicer shall at its own expense, in consideration of the Servicer Fee, cause to be filed the financing statements and assignments described in Sections 4.01(a)(v) and 4.02(b) in accordance with such Sections. In addition, from time to time, the Servicer shall take or cause to be taken at its own expense, in consideration of the Servicer Fee, any other such actions and execute such documents as are necessary to perfect and protect the Issuer's precautionary security interest against the Transferor, as applicable, in respect of the Contract Assets and the assignment to the Trustee thereof, and the Trustee's security interests in and liens on the Collateral against all other Persons, including the filing of financing statements, amendments thereto and continuation statements, the execution of transfer instruments and the making of notations on or taking possession of all records or documents of title; *provided* that, none of the Servicer, the Transferor nor the Issuer shall be required to file UCC-1 financing statements against Obligors with respect to a Contract related to Equipment that had an original equipment cost at origination of less than (A) if such Contract is a secured loan or finance lease that provides for a $1 purchase option, $25,000, or (B) if such Contract provides for a "fair market value" purchase option, $50,000 or to file or record assignments of any UCC-1 financing statements or other lien recordings or notations made against any Obligor. Notwithstanding anything to the contrary contained herein, if the Servicer is not LEAF Commercial Capital, Inc. or one of its Affiliates, the successor Servicer shall not be responsible for the initial filings of any UCC financing statements, or any continuation statements filed by any predecessor Servicer, or the information contained therein (including the exhibits thereto), the perfection of any such security interests during the term of such predecessor Servicer, or the accuracy or sufficiency of any description of collateral in such filings, and the successor Servicer shall be fully protected in relying on such initial filings and any continuation statements or modifications thereto made by a predecessor Servicer pursuant to this Section 4.02 but shall continue to be responsible for requirements expressed above during the period it acts as Servicer.

(b) If any change in the Servicer's or the Issuer's name, identity, structure or the location of its principal place of business, chief executive office or State of organization occurs, then such party or the Servicer on its behalf (in the case of the Issuer) shall deliver thirty (30) days' prior written notice of such change or relocation to the Servicer, the Class A Note Insurer, the Trustee, the Back-up Servicer and each Rating Agency, and, no later than the effective date of such change or relocation, the Servicer shall file or cause to be filed such amendments or statements as may be required to preserve and protect the Issuer's precautionary security interest against the Transferor in respect of the Contract Assets and the assignment to the Trustee thereof, and the Trustee's security interest in and liens on the Collateral.

(c) During the term of this Indenture, the Issuer will maintain its sole state of organization in the State of Delaware, and the initial Servicer will maintain its sole state of incorporation in a State of the United States.

*Section 4.03* *Review of Contract Files*.

(a) On or prior to the Closing Date and each Acquisition Date, the Issuer shall cause to be delivered to the Custodian the documents comprising the Contract Files for the Contracts to be acquired on such date; *provided* that the Contract Files delivered on the Closing Date or any Acquisition Date shall be subject to review and correction as described below in this Section 4.03 and Section 4.04. Each Contract and the folder containing other Contract Files documents for such Contract shall be clearly marked with a LEAF Contract Number, which LEAF Contract Number shall be used by the Issuer, the Trustee and the Custodian to identify such Contract on the Contract Schedule.

(b) Within ten (10) Business Days of the Closing Date and each Acquisition Date, for each Initial Contract, Additional Contract and Substitute Contract, as applicable, the Custodian will review the Contract Files related to each such Initial Contract or Additional Contract and Substitute Contract, as applicable, and shall perform such reviews as are sufficient to enable it to confirm the items required to be certified by it in the Custodian Certificate in the form attached hereto as Exhibit G. By execution and delivery of any such Custodian Certificates, the Custodian shall evidence completion of such review and confirmation. The Custodian shall include in an Exception Report, if any, delivered in accordance with Section 3.01(d) any failure of a document to correspond to the information on the initial Contract Schedule (in the case of the Initial Contracts) or the Amendment to the Contract Schedule (in the case of Additional Contracts and Substitute Contracts) or the absence of any one or more of the documents comprising the Contract Files for such Contract.

(c) If any Contracts or Contract Assets to be pledged to the Trustee are Contracts or Contract Assets that at any time were subject to a Lien in favor of a Person that has held a Lien thereon, concurrently with the delivery of the related Transferor Certificate pursuant to Section 3.01, the Issuer shall have delivered to (x) the Custodian (with a copy to the Class A Note Insurer and the Trustee) a facsimile copy or an original executed Release Agreement from each Person that has held a Lien on the applicable Contract and/or Contract Assets, together with the certification in the Officer's Certificate that each such Release Agreement constitutes a release of such Person's security interest in each such Contract and/or Contract Asset (and the other Collateral related thereto), and (y) the Custodian (with a copy to the Class A Note Insurer and the Trustee) the original UCC partial or full release relating to the Release Agreement described in clause (x) above.

(d) The Custodian shall use reasonable care in the performance of its duties under the Transaction Documents, shall identify and segregate all items constituting the Contract Files and shall maintain continuous custody of all items constituting the Contract Files in secure, fire resistant facilities in accordance with customary standards for such custody. The Custodian makes no representations as to and shall not be responsible to verify (i) the validity, legality, enforceability, sufficiency, due authorization or genuineness of any document constituting Contract Files or of any of the Contracts or (ii) the collectibility, insurability, effectiveness or suitability of any Contract.

(e) The Custodian shall hold all Contracts and all other Collateral delivered to it pursuant to the Transaction Documents as Custodian for the benefit of the Trustee (for the benefit of the Secured Parties). With respect to each item of Contract Files delivered to the Custodian, the Custodian shall (i) hold all documents constituting such Contract Files received by it for the exclusive use and benefit of the Trustee (for the benefit of the Secured Parties) and (ii) make disposition thereof only in accordance with the terms of this Indenture and the Servicing Agreement.

(f) In the event that (i) the Trustee, the Servicer, the Issuer or the Custodian shall be served by a third party with any type of levy, attachment, writ or court order with respect to any Contract Files or (ii) a third party shall institute any court proceeding by which any Contract Files shall be required to be delivered otherwise than in accordance with the provisions of this Indenture, the party or parties receiving such service shall promptly deliver or cause to be delivered to the other parties to this Indenture and the Class A Note Insurer copies of all court papers, orders, documents and other materials concerning such proceedings. The Custodian shall continue to hold and maintain all the Contract Files that is the subject of such proceedings pending a final order of a court of competent jurisdiction permitting or directing disposition thereof. Upon final determination of such court, the Custodian shall deliver such Contract Files as directed by such determination or, if no such determination is made, in accordance with the provisions of this Indenture. Expenses of the Custodian incurred as a result of such proceedings shall be borne by the Issuer.

(g) At its own expense, the Custodian shall maintain at all times prior to the satisfaction and discharge of this Indenture and keep in full force and effect fidelity insurance, theft of documents insurance, forgery insurance and errors and omissions insurance. All such insurance shall be in amounts, with standard coverage and subject to deductibles, all as is customary for insurance typically maintained by banks which act as custodian of collateral substantially similar to the Collateral. Upon at least ten (10) days' prior written request, the Issuer, the Class A Note Insurer and/or the Servicer shall be entitled to receive a certificate of the Custodian's respective insurer that such insurance is in full force and effect.

*Section 4.04* *Defective Contracts*.

(a) *Check-in Procedures*. If, upon its examination of any Contract File in accordance with Section 4.03 hereof, the Custodian determines that such Contract File does not satisfy the requirements described in Section 4.03(b), or is unable to confirm that such requirements have been met, the Custodian shall promptly notify the Servicer, the Transferor and the Class A Note Insurer by telephone or fax. If the Transferor does not satisfy the Custodian in accordance with the foregoing sentence prior to the tenth (10th) Business Day after any applicable Acquisition Date, the Custodian shall return on such tenth (10th) Business Day the applicable Contract and related files to the Transferor, or as otherwise directed by the Transferor. Any such returned Contracts and related files shall be subject to a Warranty Event unless the exceptions are waived by the Control Party or corrected within thirty (30) days of the date of the delivery of the related Exception Report.

(b) *Warranty Repurchases*. If a Responsible Officer of the Trustee, or if another party to any of the Transaction Documents, notifies the Servicer, the Transferor, the Back-up Servicer and the Issuer of the existence of any Warranty Event, the Servicer (pursuant to the Servicing Agreement) or the Transferor (pursuant to the Purchase and Contribution Agreement) shall (i) cure the breach(es) which caused the Warranty Event in all material respects or (ii) repurchase such Contract and related Contract Assets at the Contract Repurchase Price as required in accordance with Section 6.1(a) of the Purchase and Contribution Agreement, or substitute (if the Servicer) for such Contract a Substitute Contract as required in accordance with Section 3.09 of the Servicing Agreement. If any such Contract is repurchased by the Transferor pursuant to the Purchase and Contribution Agreement or by the Servicer pursuant to the Servicing Agreement, and the Trustee has received a written request in the form attached hereto as Exhibit F-1 relating thereto, the Trustee shall, upon receipt of the applicable Contract Repurchase Price, but subject to Section 4.07 hereof, return the affected Contract and related files to the Issuer (or, if the Issuer so requests, directly to the Servicer or the Transferor, as the case may be), release its interest therein and in the related Contract Assets, and such items shall no longer constitute a Contract or Contract Asset hereunder and shall be released from the Lien of this Indenture.

*Section 4.05* *Reserved*.

*Section 4.06* *Administration of the Contract Assets*. The Contract Assets shall be serviced by the Servicer in accordance with the terms of the Servicing Agreement. The Servicer, as agent of the Issuer prior to the occurrence of an Event of Default, shall have the right to provide any notices and instructions to Obligors in connection with the Contract Assets. In the event that the Issuer or the Trustee receives any notices, requests for information or other communication from an Obligor, it shall immediately forward such communication to the Servicer. The Trustee shall deposit any Collections received by it in the Collection Account, in accordance with Section 13.02 and it shall deliver written or electronic statements regarding such collections and deposits to the Servicer and the Class A Note Insurer at least monthly. The Trustee shall have no obligation to advance its own funds to the Collection Account. In the absence of an Event of Default, the Trustee shall not contact any Obligor or take any action with respect to the enforcement, modification or release of any Contract against an Obligor without the express written authorization of the Servicer or the Issuer.

*Section 4.07* *Releases*.

(a) The Issuer shall be entitled to obtain a release from the Lien of this Indenture for any individual Contract and the related Contract Assets at any time after all of the conditions for such release set forth in the Transaction Documents have been satisfied and (i) after a payment by the Transferor or the Servicer, as applicable, under the provisions of the relevant Transaction Documents, of the related Contract Repurchase Price therefor, (ii) after a Substitute Contract and the related Contract Assets are substituted for such Contract and the related Contract Assets in accordance with the Transaction Documents or (iii) upon such Contract becoming a Disposed Contract. In order to effect any such release, the Servicer, on behalf of the Issuer, shall deliver to the Trustee, the Class A Note Insurer and the Custodian in accordance with the Transaction Documents a Request for Release, in the form attached hereto Exhibit F-1, (1) identifying the Contracts and (if applicable) the related Equipment to be released, (2) requesting the release thereof, (3) setting forth the amount deposited in the Collection Account with respect thereto, or identifying the Substitute Contract substituted therefor in the event that the subject Contracts and the related Equipment are being released from the Lien of this Indenture pursuant to clause (ii) above, (4) certifying that the amount deposited in the Collection Account equals the Contract Repurchase Price relating to such Contracts and the related Equipment in the event that the subject Contracts and the related Equipment are being released from the Lien of this Indenture pursuant to clause (i) above and (5) certifying that all other conditions precedent set forth in the Transaction Documents relating to such release have been satisfied. The Trustee, upon receipt of a written request in the form attached hereto as Exhibit F-1, and the Trustee's confirmation that the related (i) Contract Repurchase Price has been deposited into the Collection Account or (ii) Substitute Contract has been substituted for the subject Contract, shall execute instruments to release such Contract and the related Contract Assets from the lien of this Indenture, or convey the Trustee's interest in the same.

(b) Upon receipt of the Request for Release from the Servicer in the form attached hereto as Exhibit F-1, including a certification that all of the conditions specified in clause (a) of this Section 4.07 have been satisfied and provided that all other certifications and documents required under the terms of this Indenture have been received by the Trustee, the Trustee shall release from the Lien of this Indenture and the Custodian shall deliver to the Issuer or upon Issuer Order the Contracts and all related Contract Assets described in the Issuer's Request for Release.

(c) The Custodian may, if requested by the Servicer, in the form attached hereto as Exhibit F-1, for purposes of servicing a Contract, temporarily deliver to the Servicer the original Contract. Any Contract temporarily delivered from the custody of the Custodian to the Servicer or its agents shall have affixed to such Contract a copy of such written request in the Form of Exhibit F-1, which shall contain a legend to the effect that the Contract is the property of the Issuer and has been pledged to U.S. Bank National Association, as Trustee for the benefit of the Secured Parties. The Servicer shall promptly return the Contract to the Custodian, along with a letter attached hereto as Exhibit F-2, upon the need therefor no longer existing; *provided* that if an Event of Default has occurred, the Servicer shall forthwith return to the Custodian each Contract temporarily delivered pursuant to this Section 4.07.

## ARTICLE V
## SATISFACTION AND DISCHARGE

*Section 5.01* *Satisfaction and Discharge of Indenture*.

(a) Following (i) payment in full of (A) all of the Notes, (B) all amounts due to the Class A Note Insurer under the Insurance Agreement, (C) the fees and charges and reimbursements of the Trustee, the Back-up Servicer, the Class A Note Insurer, the Transferor, the Custodian and the Noteholders and (D) all other obligations of the Issuer under this Indenture and the other Transaction Documents, (ii) receipt by the Class A Note Insurer of the original Class A Insurance Policy surrendered to it by the Trustee, and (iii) a written request by the Issuer to the Trustee to terminate this Indenture and release the Collateral, accompanied by a written direction from the Control Party, if the Class A Note Insurer is the Control Party, that the Trustee is authorized to discharge and terminate this Indenture and release the Collateral, this Indenture shall be discharged and terminated and the lien of this Indenture on the Collateral thereupon shall be released. All Contract Files shall then include an Officer's Certificate from the Issuer, stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture with respect to the Notes have been complied with.

(b) Upon the discharge and termination of this Indenture, the Trustee shall release from the lien of this Indenture and deliver to the Issuer all remaining Collateral, and the Trustee shall file, or cause to be filed, at the Servicer's expense (at the option of the Servicer if the Back-up Servicer has become the Servicer), UCC termination statements evidencing such discharge and release; *provided*, if the Back-up Servicer has become the Servicer, the Servicer shall be entitled to reimbursement of all expenses incurred under this Section 5.01(b) by the Issuer payable solely from amounts that are available to the Servicer therefore under Section 13.03 of the Indenture.

## ARTICLE VI
## DEFAULTS AND REMEDIES

*Section 6.01* *Events of Default*.

"Event of Default" wherever used herein means the occurrence of any one of the following events, unless any such particular occurrence is waived as an "Event of Default" in writing in accordance with the provisions of this Indenture; *provided* that, unless and until any such waiver is given, an "Event of Default" shall be deemed to exist for all purposes under the Transaction Documents, even if the event giving rise to such Event of Default is no longer continuing or has been cured:

(a) the Issuer shall fail to make when due any payment with respect to interest on any Class of Notes then outstanding or with respect to any Class A Note Insurer Premium, or the Servicer shall fail to make when due any deposit required under the Transaction Documents (other than as described in clause (e) below), in any case on or before the date occurring five (5) Business Days after the date such payment or deposit shall become due;

(b) the Issuer, Servicer or the Transferor shall fail to perform or observe any covenant with respect to it set forth in any Transaction Document, and in each case such failure shall remain unremedied for (i) five (5) Business Days in the event of any breach of the reporting covenants set forth in Section 13.08 (other than Section 13.08(a) relating to the Trustee) and (ii) otherwise, thirty (30) Business Days after the earlier of (x) actual knowledge thereof by such Person or (y) receipt by such Person of written notice thereof;

(c) any representation or warranty made by the Issuer, Transferor or Servicer in any Transaction Document or in any other document delivered pursuant thereto (other than a representation or warranty made with respect to the Contracts) shall prove to have been incorrect in any material respect when made or deemed made and continues to be incorrect in any material respect for a period of thirty (30) Business Days after the earlier to occur of (x) the actual knowledge thereof by such Person or (y) the receipt by such Person of written notice thereof;

(d) an Insolvency Event shall occur with respect to the Issuer;

(e) the Outstanding Note Balance of any Class of Notes is not reduced to zero and all interest due on any Class is not paid by that Class's Stated Maturity Date;

(f) the Issuer is required to register as an "*investment company*" under the Investment Company Act of 1940, as amended;

(g) any Class A-1A Note, Class A-1B Note, Class A-2 Note, Class B Note, Class C Note, Class D Note or Class E-1 Note shall cease to constitute debt for federal income tax purposes, as evidenced by a written determination by the Internal Revenue Service; or

(h) an Event of Servicing Termination has occurred and the Back-up Servicer has declined to assume the obligations of the Servicer, and the Control Party, after good faith efforts, is unable to appoint a satisfactory successor Servicer within sixty (60) days of the Back-up Servicer declining such assumption; or

(i) any draw shall occur on the Class A Insurance Policy.

*Section 6.02* <u>*Acceleration of Maturity; Rescission and Annulment*</u>. If an Event of Default exists, then, unless waived pursuant to Section 6.15 hereof, and in every such case, the Trustee may, subject to the consent of the Control Party, and shall, at the written direction of the Control Party, declare the Aggregate Outstanding Note Balance to be immediately due and payable, by notice given in writing to the Issuer and upon any such declaration, such principal and all accrued interest under the Notes shall become immediately due and payable without any presentment, demand, protest or other notice of any kind (except such notices as shall be expressly required by the provisions of this Indenture), all of which are hereby expressly waived by the Issuer; *provided*, that if such Event of Default consists of an Insolvency Event with respect to the Issuer, then all such principal and accrued interest shall be automatically due and payable without the need for any such notice or further action by any Person.

At any time after such a declaration of acceleration has been made, but before any Sale of the Collateral has been made or a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article; *provided*, the Control Party, by written notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences if (notwithstanding Section 6.15 hereof) (a) and (b) below are satisfied:

(a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(1) all overdue installments of interest on all Notes and interest thereon at the overdue interest rate from the time such overdue interest first became due until the date when paid;

(2) the principal of any Notes which has become due otherwise than by such declaration of acceleration and interest thereon at the overdue interest rate from the time such principal first became due until the date when paid;

(3) all overdue Class A Note Insurer Premium together with interest thereon and any unpaid Reimbursement Amounts; and

(4) all sums paid or advanced, together with interest thereon, by the Trustee, the Transferor and any Secured Party, and the reasonable compensation, expenses, disbursements and advances of the Trustee and any Secured Party, their agents and counsel incurred in connection with the enforcement of this Indenture to the date of such payment or deposit.

(b) all Events of Default, other than the nonpayment of the principal on any of the Notes which has become due solely by such declaration of acceleration, have been cured or waived by the Control Party unless (i) an Event of Default in the payment of interest on any Note when due or principal not paid at the Stated Maturity Date or (ii) in respect of a covenant or provision hereof which by its terms cannot be modified or amended without the consent of the Noteholders of each Outstanding Note affected thereby, in which case a waiver by the Noteholders of each Outstanding Notes is required.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

*Section 6.03* *Collection of Indebtedness and Suits for Enforcement by Trustee*.

(a) The Issuer covenants that, if an Event of Default shall occur and the Notes have been declared due and payable and such declaration has not been rescinded and annulled, the Issuer will pay to the Trustee, for the benefit of the Noteholders, the whole amount then due and payable on the Notes for principal and interest (with interest upon the overdue principal and overdue interest at the rate provided herein), any and all amounts due and payable to the Noteholders, the Transferor, the Class A Note Insurer, the Back-up Servicer, the Custodian, the Paying Agent and the Trustee and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of each of the Trustee, the Class A Note Insurer, the Paying Agent and the Noteholders and their respective agents and counsel.

(b) If the Issuer fails to pay such amount forthwith upon such demand, the Trustee, in its own name and as Trustee of an express trust, may, with the prior written consent of the Control Party, and shall, at the written direction of the Control Party, institute Proceedings for the collection of the sums so due and unpaid, and prosecute such Proceedings to judgment or final decree, and enforce the same against the Issuer and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of the Issuer, wherever situated.

(c) If an Event of Default exists, the Trustee shall, at the written direction of the Control Party, proceed to protect and enforce the rights of the Noteholders, the Class A Note Insurer and the Paying Agent by such appropriate Proceedings as the Trustee, at the written direction of the Control Party, shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

*Section 6.04* *Remedies*. If an Event of Default exists, the Trustee may, with the prior written consent of the Control Party, and shall, at the written direction of the Control Party, do one or more of the following:

(a) institute Proceedings for the collection of all amounts remaining unpaid on the Notes or under this Indenture or the other Transaction Documents, including, without limitation, the Reimbursement Amount, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and the Collateral the monies adjudged due;

(b) take possession of and sell the Collateral or any portion thereof or rights or interest therein, at one or more private or public Sales called and conducted in any manner permitted by law;

(c) institute any Proceedings from time to time for the complete or partial foreclosure of the lien created by this Indenture with respect to the Collateral;

(d) redirect Obligor payments to such account or accounts as the Control Party determines necessary in its sole discretion, or at the direction of the Control Party;

(e) during the continuance of a default under a Contract, exercise any of the rights of the lessor or lender (as applicable) under such Contract;

(f) exercise any remedies of a secured party under the Uniform Commercial Code (irrespective of whether the Uniform Commercial Code applies) or any applicable law and take any other appropriate action to protect and enforce the rights and remedies of the Trustee, the Class A Note Insurer or the Noteholders hereunder or under the other Transaction Documents; and

(g) exercise any and all rights, powers and privileges available to the Trustee, the Class A Note Insurer or the Noteholders (whether at law, in equity or by contract).

*Section 6.05* *Optional Preservation of Collateral*. If an Event of Default exists, the Trustee shall, upon written request from the Control Party, elect, by giving written notice of such election to the Issuer, to take possession of and retain the Collateral intact, collect or cause the

collection of all income, payments and proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of such Notes in accordance with the provisions of Article XIII. If the Trustee is unable to or is stayed from giving such notice to the Issuer for any reason whatsoever, such election shall be effective as of the time of such request from the Control Party, as the case may be, notwithstanding any failure to give such notice, and the Trustee shall give such notice upon the removal or cure of such inability or stay (but shall have no obligation to effect such removal or cure). Any such election may be rescinded with respect to any portion of the Collateral remaining at the time of such rescission by written notice to the Trustee and the Issuer from the Control Party.

*Section 6.06* *Trustee May File Proofs of Claim*. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial Proceeding relating to the Issuer or the property of the Issuer or its creditors, the Trustee (irrespective of whether the principal of any of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Issuer for the payment of overdue principal or interest) shall be entitled and empowered and shall, at the prior written direction of the Control Party, intervene in such proceeding or otherwise:

(a) to file and prove a claim for all amounts of principal and interest owing and unpaid in respect of the Notes issued hereunder or the Reimbursement Amount and to file such other papers or documents and take such other actions, including participating as a member, voting or otherwise, in any committee of creditors appointed in the matter as may be necessary or advisable in order to have the claims of the Trustee, the Noteholders, the Class A Note Insurer, the Paying Agent, the Custodian (including any claim for the reasonable compensation, expenses, disbursements and advances of each such Person and their respective agents and counsel and any other amounts due the Trustee under Section 7.07) and of the Noteholders allowed in such judicial Proceeding;

(b) unless prohibited by applicable law and regulations, to vote at the direction of the Control Party on behalf of the Noteholders in any election of a trustee, a standby trustee or person performing similar functions in any such proceedings;

(c) to petition for lifting of the automatic stay and thereupon to foreclose upon the Collateral as elsewhere provided herein; and

(d) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator, or sequestrator (or other similar official) in any such judicial Proceeding is hereby authorized by the Noteholders, the Class A Note Insurer and the Paying Agent to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to each such Person, to pay to the Trustee or such Person any amount due to it for the reasonable compensation, expenses, disbursements and advances of each of the Trustee and such other Person, their agents and counsel, and any other amounts due the Trustee under Section 7.07 or under the Insurance Agreement.

Nothing contained in this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Secured Party any plan of reorganization, arrangement, adjustment or composition affecting any of the Notes or the rights of any Secured Party, or to authorize the Trustee to vote in respect of the claim of any Secured Party in any such Proceeding; *provided, however*, that the Control Party shall be authorized to vote on all of the foregoing matters described above on behalf of the Noteholders and to consent to certain amendments as described under Section 10.02 hereof.

*Section 6.07* *Trustee May Enforce Claims Without Possession of Notes*.

(a) In all Proceedings brought by the Trustee in accordance with this Indenture (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party), the Trustee shall be held to represent all of the Noteholders and it shall not be necessary to make any Noteholder a party to any such Proceedings.

(b) All rights of actions and claims under this Indenture or any of the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any Proceeding relating thereto, and any such Proceedings instituted by the Trustee shall be brought with the prior written consent of the Control Party and in the Trustee's own name as trustee of an express trust, and any recovery, whether by judgment, settlement or otherwise shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel, be for the benefit of the Noteholders and the Class A Note Insurer, as the case may be.

*Section 6.08* *Application of Money Collected*. If the Notes have been declared due and payable following an Event of Default and such declaration has not been rescinded or annulled, any money collected by the Trustee with respect to the Notes, the Class A Note Insurer and the other Transaction Documents pursuant to this Article VI or otherwise and any other money that may be held thereafter by the Trustee as security for the Notes, the Class A Note Insurer and the other Transaction Documents shall be applied in the order set forth in Section 13.03 on the earlier of the next Payment Date and such dates as the Trustee may (or shall, at the direction of the Control Party) designate for the release of such funds, to the same extent as if such date were a Payment Date. Additionally, in the event any Class A Notes are accelerated due to an Event of Default, the Class A Note Insurer shall have the right (in addition to the obligation to pay Note Insurance Guaranteed Payments on the Class A Notes in accordance with the Class A Insurance Policy), but not the obligation, to make payments under the Class A Insurance Policy or otherwise of principal due on such Class A Notes, in whole or in part, on any Payment Date or Payment Dates following such acceleration as the Class A Note Insurer, in its sole discretion, shall elect.

*Section 6.09* *Limitation on Suits*. So long as no Class A Note Insurer Default shall have occurred and be continuing, no Noteholder shall have any right to institute (or to cooperate in the institution of) any Proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder; *provided* that nothing in this Section 6.09 shall inhibit the right of any Noteholder to file a proof of claim in any suit or Proceeding instituted by someone other than such Noteholder. Nothing in this Section 6.09 shall inhibit the right of the Class A Note Insurer to institute suit or any Proceeding for the enforcement of this Indenture.

*Section 6.10* *Unconditional Right of the Noteholders to Receive Principal and Interest*. Notwithstanding any other provision in this Indenture, each Noteholder shall have the right, which is absolute and unconditional, to receive payment of the principal and interest on such Note on the dates on which such principal and interest becomes due and payable and, subject to Section 6.09, to institute any Proceeding for the enforcement of any such payment, subject to the priority of payments set forth in Section 13.03(c) and/or (d), as applicable, and such right shall not be impaired without the consent of such Noteholder.

*Section 6.11* *Restoration of Rights and Remedies*. If the Trustee, the Class A Note Insurer or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, the Class A Note Insurer or to such Noteholder, then, and in every case, the Issuer, the Trustee, the Class A Note Insurer and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee, the Class A Note Insurer and the Noteholders shall continue as though no such Proceeding had been instituted.

*Section 6.12* *Rights and Remedies Cumulative*. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in the last paragraph of Section 2.07, no right or remedy herein conferred upon or reserved to the Trustee, the Class A Note Insurer or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

*Section 6.13* *Delay or Omission Not Waiver*. No delay or omission of the Trustee, the Class A Note Insurer or of any Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or any acquiescence therein. Every right and remedy given by this Article VI or by law to the Trustee, the Class A Note Insurer or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, the Class A Note Insurer or the Noteholders, as the case may be.

*Section 6.14* *Control by Control Party*. The Control Party shall have the right to direct in writing the time, method and place of conducting any Proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; *provided* that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture including any provision hereof which expressly provides for approval by a percentage of the Aggregate Outstanding Note Balance or by a percentage of the Outstanding Note Balance of all Notes within a Class;

(b) if the Trustee has reasonable grounds for believing that repayment of any funds expended or risked by it is not assured to it without an indemnity reasonably satisfactory to it against such risk or liability, such indemnity shall have been provided.

For purposes of the foregoing provisions and any other provisions in this Indenture permitting the Trustee to require an indemnity before taking actions, the Trustee agrees that an unsecured indeminity from a Noteholder or the Class A Note Insurer, so long as such party has an unsecured debt rating of at least BBBB by Moody's and Baa2 by S & P, shall be deemed satisfactory.

*Section 6.15* *Waiver of Certain Events by the Control Party*.

The Control Party may waive on behalf of all Noteholders any Event of Servicing Termination, Default or Event of Default and its consequences in each case except:

(i) an Event of Default in the payment of interest on any Note when due or principal not paid at the Stated Maturity Date, except that the Class A Note Insurer, so long as it is the Control Party, shall be allowed to waive any Event of Default arising on account of non-payment of interest on or principal of any Class A Note that in either case has been paid by the Class A Note Insurer;

(ii) in respect of a covenant or provision hereof which by its terms cannot be modified or amended without the consent of the Noteholder of each Outstanding Note affected thereby; or

(iii) in the circumstances provided in Section 6.02 hereof.

Upon any such waiver, such Event of Servicing Termination, Default or Event of Default shall cease to exist, and any Event of Default shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Event of Servicing Termination, Default or Event of Default or impair any right consequent thereon.

*Section 6.16* *Additional Rights of Subordinate Noteholders*. At any time during the period from the first to occur of (i) the commencement of an Insolvency Event or any other insolvency proceeding with respect to the Issuer, (ii) the acceleration of the Class A Notes pursuant to Section 6.02 or (iii) the commencement of the foreclosure of any Collateral under this Article VI following the occurrence of an Event of Default, and without prejudice to any other rights of the Holders of the Class B Notes under the Transaction Documents, any one or more Holders of the Class B Notes (other than any Holder which is a LEAF Party or Affiliate thereof) shall initially have the sole right to deliver written notice, which notice shall be sent to the Trustee and the Class A Note Insurer (the "*Class A Buyout Notice*") electing to purchase (without recourse, warranty or representation (other than that the Holders of such Class A Notes own such Class A Notes free and clear of any Liens created or granted by the Holder of such Class A Notes)) the entire (but not less than the entire) aggregate amount of Outstanding Class A Notes (and all associated rights, titles, claims and privileges associated therewith, excluding rights under the Class A Insurance Policy) for an amount (the "*Class A Buyout Price*") equal to the sum of (i) the Outstanding Note Balance of, and accrued but unpaid interest on, the Class A Notes (excluding therefrom any premium or penalty otherwise payable) and (ii) all accrued and unpaid Reimbursement Amounts and Class A Note Insurer Premiums owing to the Class A Note Insurer. Following any such payment, the Class A Insurance Policy shall be surrendered by the Trustee to the Class A Note Insurer for cancellation, and upon such payment, surrender of the Class A Insurance Policy and receipt by the Class A Note Insurer of an acknowledgement signed by the Trustee and the purchasing Holder(s) of the Notes that the Class A Note Insurer has no further liabilities under the Class A Insurance Policy or the Indenture, the Class A Note Insurer shall no longer be the Control Party. The Trustee agrees that it shall give to the Holders of the Class B Notes, Class C Notes, Class D Notes, Class E-1 Notes and Class E-2 Notes written notice of the events described in clauses (i), (ii), and (iii) of this Section 6.16 promptly upon its receiving notice of such event or a Responsible Officer of the Trustee having actual knowledge thereof (such date of notice, the "*Default Notice Date*").

If no Holder of the Class B Notes exercises its rights to purchase the Class A Notes for the Class A Buyout Price within ten (10) Business Days of the Default Notice Date, then, without prejudice to any other rights of the Holders of the Class C Notes under the Transaction Documents, any one or more Holders of the Class C Notes (other than any Holder which is a LEAF Party or Affiliate thereof) shall then have the sole right to deliver the Class A Buyout Notice, which notice shall be sent to the Trustee and the Class A Note Insurer electing to purchase (without recourse, warranty or representation (other than that the Holders of such Class A Notes own such Class A Notes free and clear of any Liens created or granted by the Holder of such Class A Notes)) the entire (but not less than the entire) aggregate amount of Outstanding Class A Notes (and all associated rights, titles, claims and privileges associated therewith, excluding rights under the Class A Insurance Policy) for the Class A Buyout Price.

If no Holder of the Class C Notes exercises its rights to purchase the Class A Notes for the Class A Buyout Price within ten (10) Business Days of the Default Notice Date, then, without prejudice to any other rights of the Holders of the Class D Notes under the Transaction Documents, any one or more Holders of the Class D Notes (other than any Holder which is a LEAF Party or Affiliate thereof) shall then have the sole right to deliver the Class A Buyout Notice, which notice shall be sent to the Trustee and the Class A Note Insurer electing to purchase (without recourse, warranty or representation (other than that the Holders of such Class A Notes own such Class A Notes free and clear of any Liens created or granted by the Holder of such Class A Notes)) the entire (but not less than the entire) aggregate amount of Outstanding Class A Notes (and all associated rights, titles, claims and privileges associated therewith, excluding rights under the Class A Insurance Policy) for the Class A Buyout Price.

If no Holder of the Class D Notes exercises its rights to purchase the Class A Notes for the Class A Buyout Price within ten (10) Business Days of the Default Notice Date, then, without prejudice to any other rights of the Holders of the Class E-1 Notes under the Transaction Documents, any one or more Holders of the Class E-1 Notes (other than any Holder which is a LEAF Party or Affiliate thereof) shall then have the sole right to deliver the Class A Buyout Notice, which notice shall be sent to the Trustee and the Class A Note Insurer electing to purchase (without recourse, warranty or representation (other than that the Holders of such Class A Notes own such Class A Notes free and clear of any Liens created or granted by the Holder of such Class A Notes)) the entire (but not less than the entire) aggregate amount of Outstanding Class A Notes (and all associated rights, titles, claims and privileges associated therewith, excluding rights under the Class A Insurance Policy) for the Class A Buyout Price.

If no Holder of the Class E-1 Notes exercises its rights to purchase the Class A Notes for the Class A Buyout Price within ten (10) Business Days of the Default Notice Date, then, without prejudice to any other rights of the Holders of the Class E-2 Notes under the Transaction Documents, any one or more Holders of the Class E-2 Notes (other than any Holder which is a LEAF Party or Affiliate thereof) shall then have the sole right to deliver the Class A Buyout Notice, which notice shall be sent to the Trustee and the Class A Note Insurer electing to purchase (without recourse, warranty or representation (other than that the Holders of such Class A Notes own such Class A Notes free and clear of any Liens created or granted by the Holder of such Class A Notes)) the entire (but not less than the entire) aggregate amount of Outstanding Class A Notes (and all associated rights, titles, claims and privileges associated therewith, excluding rights under the Class A Insurance Policy) for the Class A Buyout Price.

The purchase of the Class A Notes pursuant to this Section shall close no later than the date specified in the operative Class A Buyout Notice. The Class A Buyout Price shall be remitted by wire transfer in immediately available federal funds to the Trustee. Interest shall be calculated to but excluding the Business Day on which such purchase shall occur if the Class A Buyout Price is wired to the Trustee prior to 11:00 am New York time and interest shall be calculated to and including such Business Day if the Class A Buyout Price is wired to the Trustee, later than 11:00 am New York time. For the avoidance of doubt, the right of any Class of Noteholders to purchase the Class A Notes pursuant to this Section shall be extinguished at the close of business on the tenth Business Day following the Default Notice Date if no exercise has occurred on or before such date.

*Section 6.17* *Waiver of Stay or Extension Laws*. The Issuer covenants (to the extent that it may lawfully do so) that it will not, at any time, insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

*Section 6.18* *Sale of Collateral*.

(a) The power to effect any sale (a *"Sale"*) of any portion of the Collateral pursuant to Section 6.04 shall not be exhausted by any one or more Sales as to any portion of the Collateral remaining unsold, but shall continue unimpaired until the entire Collateral securing the Notes shall have been sold or all amounts payable on the Notes and under this Indenture and the other Transaction Documents shall have been paid. The Control Party shall retain all discretion over the time, method, and manner of disposition of the Collateral. Subject to the preceding sentence, the Trustee may, from time to time, postpone any Sale by public announcement made at the time and place of such Sale.

(b) To the extent permitted by applicable law, the Trustee shall not, in any private Sale, sell to one or more third parties, or otherwise liquidate, all or any portion of the Collateral, unless:

(i) the Control Party consents to or directs such Sale or liquidation (which consent or direction may be given regardless of the proceeds to be derived from such Sale or liquidation); or

(ii) the proceeds of such Sale or liquidation available to be distributed to the Noteholders are sufficient to pay in full all amounts then due with respect to the Notes and, without duplication, all amounts owed to the Servicer, Transferor, Trustee, Custodian, the Class A Note Insurer and Back-up Servicer.

(c) The Class A Note Insurer and/or any Noteholder may bid for and acquire any portion of the Collateral in connection with a Sale thereof. After the Trustee has received each offer to purchase all or any portion of the Collateral, the Trustee shall notify the Class A Note Insurer, each Class B Noteholder, Class C Noteholder, Class D Noteholder, Class E-1 Noteholder and Class E-2 Noteholder of the highest offer (the date of such notification, the "*Collateral Purchase Notice Date*"), and the Class A Note Insurer or any one or more Class B Noteholders will initially have the right, within ten (10) Business Days of the Collateral Purchase Notice Date, to purchase (not later than five (5) Business Days after delivery of written notice to the Trustee and the Class A Note Insurer of exercise of each right to purchase) the Collateral at the highest price offered therefor. If neither the Class A Note Insurer nor any Holder of the Class B Notes exercises its rights to purchase the Collateral within ten (10) Business Days of the Collateral Purchase Notice Date, the Trustee shall notify each Class C Noteholder of the highest offer and any one or more Class C Noteholders will then have the right to purchase (not later than five Business Days after delivery of written notice to the Trustee of exercise of each right to purchase) the Collateral at the highest price offered therefor. If no Holder of the Class C Notes exercises its rights to purchase the Collateral within ten (10) Business Days of the Collateral Purchase Notice Date, the Trustee shall notify each Class D Noteholder of the highest offer and any one or more Class D Noteholders will then have the right to purchase (not later than five Business Days after delivery of written notice to the Trustee of exercise of each right to purchase) the Collateral at the highest price offered therefor. If no Holder of the Class D Notes exercises its rights to purchase the Collateral within ten (10) Business Days of the Collateral Purchase Notice Date, the Trustee shall notify each Class E-1 Noteholder of the highest offer and any one or more Class E-1 Noteholders will then have the right to purchase (not later than five Business Days after delivery of written notice to the Trustee of exercise of each right to purchase) the Collateral at the highest price offered therefor. If no Holder of the Class E-1 Notes exercises its rights to purchase the Collateral within ten (10) Business Days of the Collateral Purchase Notice Date, the Trustee shall notify each Class E-2 Noteholder of the highest offer and any one or more Class E-2 Noteholders will then have the right to purchase (not later than five Business Days after delivery of written notice to the Trustee of exercise of each right to purchase) the Collateral at the highest price offered therefor. If no such Noteholder has exercised its option to purchase the Collateral within ten (10) Business Days of the Collateral Purchase Notice Date, those options shall terminate and be of no further force and effect, and the Trustee may proceed to sell the Collateral to the highest offeree in accordance with the terms of this Indenture. If a Noteholder or the Class A Note Insurer submits the highest bid, in lieu of paying cash therefor, such bidder may make settlement for the purchase price by crediting against the purchase price that portion of the net proceeds of such Sale to which such bidder would be entitled, after deducting the reasonable costs, charges and expenses (including reasonable attorneys' fees and expenses) incurred by such Noteholder or the Class A Note Insurer in connection with such Sale. The Notes need not be produced in order to complete any such Sale, or in order for the net proceeds of such Sale to be credited against the Notes. The Class A Note Insurer or the Noteholders may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law.

(d) The Trustee shall execute and deliver an appropriate instrument of conveyance provided to it by the Servicer transferring its interest in any portion of the Collateral in connection with a Sale thereof. In addition, the Trustee is hereby irrevocably appointed the agent and attorney-in-fact with full irrevocable power and authority in the place and stead of the Issuer and in the name of the Issuer or in its own name, from time to time, from and after the occurrence of an Event of Default for the purpose of exercising the rights and remedies of the Trustee hereunder and, to take any and all action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the foregoing, including without limitation, to transfer and convey its interest in any portion of the Collateral in connection with a Sale thereof, and to take all action necessary to effect such Sale. No purchaser or transferee at such a sale shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

(e) The method, manner, time, place and terms of any Sale of all or any portion of the Collateral shall be commercially reasonable. The Trustee shall incur no liability for any Sale conducted in accordance with this Section.

*Section 6.19* *Action on Notes*. The Trustee's right to seek and recover judgment on the Notes or under this Indenture or the other Transaction Documents shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture or the other Transaction Documents. Neither the lien of this Indenture nor any rights or remedies of the Trustee, the Class A Note Insurer or the Noteholders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer.

## ARTICLE VII
## THE TRUSTEE

*Section 7.01* *Certain Duties and Immunities*.

(a) Except during the existence of an Event of Default known to the Trustee as provided in subsection (e) below:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith or negligence on its part, the Trustee may conclusively rely as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions, which by any provision hereof are specifically required to be furnished to the Trustee, such certificate or opinion shall cite the applicable provision and the Trustee shall be under a duty to examine the same and to determine whether or not they conform to the requirements of this Indenture.

(b) So long as any Event of Default or Event of Servicing Termination exists, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs, and nothing contained herein shall relieve the Trustee of such obligations.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or bad faith (as determined by a court of competent jurisdiction), except that:

(i) this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section;

(ii) neither the Trustee nor any of its officers, directors, employees or agents shall be liable with respect to any action taken or omitted to be taken by the Trustee in good faith in accordance with the written direction (A) given pursuant to this Indenture or (B) by the Control Party in accordance with Section 6.14 relating to the time, method and place of conducting any Proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(iii) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability (financial or otherwise) in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds is not assured to it without an indemnity reasonably satisfactory to it against such risk or liability; and

(iv) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be conclusively proven by a court of competent jurisdiction that the Trustee was negligent in ascertaining the pertinent facts.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 7.01.

(e) For all purposes under this Indenture, the Trustee shall not be deemed to have notice of any Default, Event of Default (except as described in Section 6.01(a) or (b)) or Event of Servicing Termination unless a Responsible Officer assigned to and working in the Trustee's Corporate Trust Office has actual knowledge or has received written notice (at the address and in the manner specified in Section 14.03) of any such event, and such notice references (i) the Notes generally, the Issuer or this Indenture or (ii) the applicable Default, Event of Default or Event of Servicing Termination.

(f) Subject to Section 7.03(e), the Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder if it has reasonable grounds for believing that repayment of any funds expended or risked by it is not assured to it without an indemnity reasonably satisfactory to it against such risk or liability, until such indemnity shall have been provided.

(g) Notwithstanding any extinguishment of all right, title and interest of the Issuer in and to the Collateral following an Event of Default and a consequent declaration of acceleration of the maturity of the Notes, whether such extinguishment occurs through a Sale of the Collateral to another person or the acquisition of the Collateral by the Noteholders or the Class A Note Insurer, the rights of the Noteholders shall continue to be governed by the terms of this Indenture.

(h) Notwithstanding anything to the contrary contained herein, the provisions of subsections (e) through (g), inclusive, of this Section 7.01 shall be subject to the provisions of subsections (a) through (c), inclusive, of this Section 7.01.

(i) At all times during the term of this Indenture, the Trustee and the Custodian shall keep at their Corporate Trust Office for inspection by the Noteholders and the Class A Note Insurer, the Contract Schedule and all amendments thereto delivered to it.

(j) The Trustee shall have no obligation to ascertain whether any payment of interest on an overdue installment of interest is legally enforceable.

(k) The Trustee shall not have any verbal discussions or provide information to any Rating Agency regarding the transactions contemplated by this Indenture without prior notice to the Issuer to ensure compliance with Rule 17g-5 under the Securities Exchange Act of 1934 ("*Rule 17g-5*") and the timely posting of information on any website maintained by the Issuer in order to comply with Rule 17g-5. The Trustee agrees to provide all information or documents required to be delivered by it to each Rating Agency pursuant to the Transaction Documents to the Issuer for posting on its Rule 17g-5 compliant website, and shall confirm with the Issuer that these documents have been posted on the website, prior to providing or otherwise making available such information or documents to such Rating Agency or any third party. The Trustee shall delay the posting of information or documents to the Trustee's website or any other disclosure of such information or documents until the confirmation from the Issuer has been received, unless otherwise instructed by the Issuer.

*Section 7.02* Notice of Default and Other Events

. Promptly upon the existence of any Default or Event of Default or Event of Servicing Termination known to the Trustee (within the meaning of Section 7.01(e)), the Trustee shall transmit by telephonic or facsimile communication confirmed by mail to the Class A Note Insurer and all Noteholders, as their names and addresses appear in the Insurance Agreement and the Note Register, notice of such event hereunder known to the Trustee.

*Section 7.03* *Certain Rights of Trustee*. Except as otherwise provided in Section 7.01:

(a) the Trustee may in good faith conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other obligation, paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request, an Issuer Order, or any writing executed by a duly authorized officer of the Issuer;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith, negligence or willful misconduct on its part, reasonably request and conclusively rely upon an Officer's Certificate of the Servicer or the Issuer;

(d) the Trustee may consult with counsel selected by it with due care and familiar with such matters and the written advice or opinion of such counsel or any Opinion of Counsel (in form and substance satisfactory to the Trustee and addressed to the Trustee) shall be full and complete authorization and protection and the Trustee shall not be liable in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee may, at any time during the administration of this Indenture, request and receive a written direction from the Control Party in connection with actions to be taken in its capacity as Trustee and shall not be liable for any action taken or omitted in good faith reliance thereon;

(f) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture which are exercisable at the request or direction of any of the Noteholders or the Control Party pursuant to this Indenture, if it has reasonable grounds for believing that repayment of the costs, expenses (including legal fees and expenses) and liabilities which might be incurred by it in compliance with such request or direction is not assured to it without an indemnity reasonably satisfactory to it against such cost, expense or liability;

(g) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, entitlement, bond, note or other paper or document, unless requested in writing to do so by the Control Party; *provided, however*, that the Trustee shall be under no obligation to make such investigation if it has reasonable grounds for believing that repayment of any cost, expense or liability likely to be incurred in making such investigation is not assured to it without an indemnity reasonably satisfactory to it against such cost, expense or liability, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, upon reasonable notice and at reasonable times personally or by agent or attorney;

(h) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder (including, for the avoidance of doubt, its duties with respect to the Auction Call Redemption), either directly or by or through agents, custodians, nominees or attorneys provided that the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care; and

(i) except as otherwise agreed in writing, the Trustee shall not be responsible for the payment of any interest on amounts deposited with it hereunder.

Notwithstanding the foregoing, nothing in this Indenture or the Servicing Agreement or any other Transaction Document regarding the Trustee shall limit the Back-up Servicer's obligations under this Indenture or the Servicing Agreement or any other Transaction Document, which shall be governed by the respective agreement.

*Section 7.04* *Not Responsible for Recitals or Issuance of Notes*.

(a) The recitals contained herein and in the Notes, except the certificates of authentication on the Notes, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness or validity. Other than pursuant to Section 7.17 hereof, the Trustee makes no representations as to the validity, adequacy or condition of the Collateral or any part thereof, or as to the title of the Issuer thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder or as to the validity or sufficiency of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Issuer of Notes or the proceeds thereof or of any money paid to the Issuer or upon Issuer Order or for the use or application by the Servicer of any amounts paid to the Servicer under any provisions hereof.

(b) Except as otherwise expressly provided herein or in the other Transaction Documents, and without limiting the generality of the foregoing, the Trustee shall have no responsibility or liability for or with respect to the existence or validity of any Contract, the perfection of any security interest (whether as of the date hereof or at any future time), the filing of any financing statements, amendments thereto, or continuation statements, the maintenance of or the taking of any action to maintain such perfection, the validity of the assignment of any portion of the Collateral to the Trustee or of any intervening assignment, the review of any Contract (it being understood that the Trustee (in its capacity as Trustee) has not reviewed and does not intend to review the substance or form of any such Contract), the performance or enforcement of any Contract, the compliance by the Issuer, the Servicer, the Transferor or any Obligor with any covenant or the breach by the Issuer, the Servicer, the Transferor or any Obligor of any warranty or representation made hereunder or in any related document or the accuracy of any such warranty or representation, any investment of monies in the Collection Account, or any loss resulting therefrom (other than losses from nonpayment of investments in obligations of U.S. Bank National Association issued in its capacity other than as Trustee or investments made in violation of the provisions hereof), the acts or omissions of the Issuer, the Servicer, the Transferor or any Obligor or any action of the Issuer, the Transferor or the Servicer taken in the name of the Trustee or the validity of the Servicing Agreement.

(c) The Trustee shall not have any obligation or liability under any Contract by reason of or arising out of this Indenture or the granting of a security interest in such Contract hereunder or the receipt by the Trustee of any payment relating to any Contract pursuant hereto, nor shall the Trustee be required or obligated in any manner to perform or fulfill any of the obligations of the Issuer under or pursuant to any Contract, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it, or the sufficiency of any performance by any party, under any Contract.

*Section 7.05* *May Hold Notes*. The Trustee, any Paying Agent, Note Registrar, or Authenticating Agent may, in its individual capacity, become the owner or pledgee of Notes.

*Section 7.06* *Money Held in Trust; Collateral*. Money and investments held in trust by the Trustee or any Paying Agent hereunder shall be held in one or more segregated, trust accounts (which shall be Eligible Accounts), in the name of the Trustee on behalf of the Secured Parties at the Corporate Trust Office, which accounts shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of the Secured Parties. The Trustee or any Paying Agent shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Issuer or otherwise specifically provided herein (in such case subject to the provisions of Section 13.03). The Trustee shall hold the Collateral and the Contract Files for the benefit of the Noteholders and the Class A Note Insurer, and all references in this Indenture and in the Note to the benefit of the Noteholders of the Notes shall be deemed to include the Class A Note Insurer, so long as the Class A Insurance Policy has not been surrendered and no Class A Note Insurer Default has occurred and is continuing.

*Section 7.07* *Compensation and Reimbursement.* The Issuer agrees:

(a) Solely from amounts distributed from the Collection Account pursuant to Section 13.03, to: (i) pay the Trustee monthly its fee for all services rendered by it hereunder as Trustee, in the amount of the Trustee Fee (which compensation shall not otherwise be limited by any provision of law in regard to the compensation of a trustee of an express trust), (ii) pay the Custodian monthly its fee for all services rendered by it hereunder as Custodian, in the amount of the Custodian Fee and (iii) pay to the Back-up Servicer its fee for all services rendered by it hereunder and under the Servicing Agreement as Back-up Servicer, in the amount of the Back-up Servicer Fee, in each case in accordance with the priorities set forth in Section 13.03;

(b) except as otherwise expressly provided herein and solely from amounts distributed pursuant to Section 13.03, to reimburse the Trustee, the Custodian or the Back-up Servicer upon its request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee, the Custodian or the Back-up Servicer, respectively, in accordance with any provision of this Indenture or the Servicing Agreement or any other Transaction Document relating thereto (including the reasonable compensation and the expenses and disbursements of the Trustee's, the Custodian's and Back-up Servicer's agents and counsel), except any such expense, disbursement or advance as may be attributable to its willful misconduct, negligence or bad faith; and

(c) to indemnify and hold harmless the Trustee, the Custodian, the Securities Intermediary, the Back-up Servicer and their respective officers, directors, employees, representatives and agents from and against, and reimburse for, any loss, claim, obligation, action, suit liability, expense, penalty, stamp or other similar tax, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) damage or injury (to person, property or natural resources) of any kind and nature sustained or suffered by the Trustee, the Custodian, the Securities Intermediary and the Back-up Servicer by reason of any acts or omissions (or alleged acts or omissions) of the Trustee, the Custodian, the Securities Intermediary or the Back-up Servicer under the Transaction Documents or arising directly or indirectly out of the activities of the Issuer or any of the transactions contemplated hereby (including any violation of any applicable laws by the Issuer as a result of the transactions contemplated by this Indenture) or the participation by the Trustee, the Custodian, the Securities Intermediary and the Back-up Servicer in the transactions contemplated by the Transaction Documents, including any judgment, award, settlement, reasonable attorneys' fees and other expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim; *provided* that, the Issuer shall not indemnify the Trustee, the

Custodian, the Securities Intermediary or the Back-up Servicer if such loss, liability, expense, damage or injury is due to the Trustee's, the Custodian's, the Securities Intermediary's or the Back-up Servicer's negligence or willful misconduct, willful misfeasance or bad faith in the performance of duties; *provided, further*, that all amounts payable in respect of such indemnity shall be payable by the Issuer solely from the amounts distributed pursuant to Section 13.03 or released from the Lien of this Indenture. The provisions of this indemnity shall run directly to and be enforceable by an injured person subject to the limitations hereof and the provisions of this Section 7.07 shall survive the termination of this Indenture or the earlier resignation or removal of the Trustee, the Custodian, the Securities Intermediary or the Back-up Servicer.

(d) The Trustee hereby acknowledges and agrees that if the Servicer and/or the Issuer fails to pay the amounts set forth in this Section 7.07, the Trustee will continue to perform its obligations under this Indenture, regardless of the Servicer and/or the Issuer's failure to pay such amounts, until the appointment of a successor Trustee reasonably satisfactory to the Control Party in accordance with Section 7.09 of this Indenture; *provided, however*, that in such event, the Trustee shall continue to be entitled to be paid all accrued amounts due it pursuant to this Section 7.07 from amounts payable pursuant to Section 13.03.

*Section 7.08* *Corporate Trustee Required; Eligibility*. There shall at all times be a trustee hereunder, who shall be the Trustee, which shall: (a) be a banking corporation or association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $100,000,000 and subject to supervision or examination by federal or state authority and having an office within the United States of America; and (b) have a commercial paper or other short-term rating of at least A-1/P-1 from each of Moody's and S & P and R-1 from the DBRS (if rated by DBRS). If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

*Section 7.09* *Resignation and Removal; Appointment of Successor*.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee acceptable to the Control Party.

(b) The Trustee may resign at any time by giving thirty (30) days prior written notice thereof to the Issuer, the Class A Note Insurer (so long as any of the Class A Notes remain Outstanding), and the Noteholders. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee acceptable to the Control Party, whose acceptance will not be unreasonably withheld or delayed. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor Trustee acceptable to the Control Party (whose approval will not be unreasonably withheld or delayed).

(c) The Trustee may be removed by the Control Party at any time if one of the following events has occurred:

(i) the Trustee shall cease to be eligible under Section 7.08 and shall fail to resign after written request therefor by the Issuer or the Control Party;

(ii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

(iii) the Trustee has failed to perform its duties in accordance with this Indenture or has breached any representation of warranty made in this Indenture; or

(iv) upon thirty (30) days' prior written notice of termination by the Control Party.

(d) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any cause with respect to any of the Notes, the Control Party may or the Issuer shall at the direction of the Control Party promptly appoint a successor Trustee acceptable to the Control Party. If no successor Trustee shall have been so appointed by the Issuer within thirty (30) days of notice of removal or resignation and shall have accepted appointment in the manner hereinafter provided, then the Control Party may appoint a successor Trustee. No removal or resignation of the Trustee shall become effective until the acceptance of the appointment of a successor Trustee acceptable to the Control Party that is eligible to act as Trustee under Section 7.08.

(e) The Issuer shall give notice in the manner provided in Section 14.03 of each resignation and each removal of the Trustee and each appointment and acceptance of appointment of a successor Trustee with respect to the Notes. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

(f) All amounts owing to the resigning or removed Trustee shall be payable solely on the next scheduled date for distributions and solely in accordance with the priorities set forth in Section 13.03.

*Section 7.10* *Acceptance of Appointment by Successor*. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer, the Secured Parties and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee but, on request of the Issuer, the Control Party or the successor Trustee, such retiring Trustee shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee or the Control Party, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be eligible under this Article.

*Section 7.11* *Merger, Conversion, Consolidation or Succession to Business of Trustee*. Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder (provided that such successor shall at all times be required to be eligible under Section 7.08), without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

*Section 7.12* *Co-Trustees and Separate Trustees*.

(a) At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Collateral may at the time be located, the Issuer and the Trustee shall (with the prior written consent of the Class A Note Insurer as long as it is the Control Party) have power to appoint, and, upon the written request of the Trustee or the Class A Note Insurer (as long as it is the Control Party), the Issuer shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee and the Class A Note Insurer (as long as it is the Control Party) and meeting the eligibility standards for the Trustee specified in Section 7.08, either to act as Co-Trustee, jointly with the Trustee of all or any part of such Collateral, or to act as separate Trustee of any such property (a *"Co-Trustee"*), in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Issuer does not join in such appointment within fifteen (15) days after the receipt by it of a request so to do, or, in case an Event of Default exists, the Trustee alone shall have power to make such appointment.

(b) Should any written instrument from the Issuer be reasonably required by any Co-Trustee or separate Trustee so appointed for more fully confirming to such Co-Trustee or separate Trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Issuer.

(c) Every Co-Trustee or separate Trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

(i) the Notes shall be authenticated and delivered by, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely by the Trustee;

(ii) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such Co-Trustee or separate Trustee jointly, as shall be provided in the instrument appointing such Co-Trustee or separate Trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such Co-Trustee or separate Trustee at the direction or with the consent of the Trustee;

(iii) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Control Party and, prior to the occurrence of an Event of Default, the Issuer, may accept the resignation of or remove any Co-Trustee or separate Trustee, appointed under this Section, and, in case an Event of Default exists, the Trustee shall, at the direction of the Control Party, have power to accept the resignation of, or remove, any such Co-Trustee or separate Trustee without the concurrence of the Issuer. Upon the written request of the Trustee, the Issuer shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any Co-Trustee or separate Trustee that has so resigned or been removed may be appointed in the manner provided in this Section;

(iv) no Co-Trustee or separate Trustee hereunder shall be personally liable by reason of any act or omission of the Trustee or any other such Trustee hereunder nor shall the Trustee be liable by reason of any act or omission of any Co-Trustee or separate Trustee selected by the Trustee with due care or appointed in accordance with directions to the Trustee pursuant to Section 6.14 provided, that the appointment of any Co-Trustee or separate Trustee shall not relieve the Trustee from any of its express duties and obligations under this Indenture; and

(v) any Act of Noteholders delivered to the Trustee shall be deemed to have been delivered to each such Co-Trustee and separate Trustee.

*Section 7.13* *Maintenance of Office or Agency; Initial Appointment of Payment Agent*. The Note Registrar will maintain an office within the State of New York or the State of Minnesota where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demand to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer hereby appoints the Trustee as the Paying Agent and its Corporate Trust Office as the office for each of said purposes.

*Section 7.14* *Appointment of Authenticating Agent*. The Trustee may at its expense appoint an Authenticating Agent or Authenticating Agents with respect to the Notes which shall be authorized to act on behalf of the Trustee to authenticate Notes issued upon original issue or upon exchange, registration of transfer or pursuant to Sections 2.06 and 2.07, and Notes so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Notes by the Trustee or the Trustee certificate of authentication or the delivery of Notes to the Trustee for authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent and delivery of the Notes to the Authenticating Agent on behalf of the Trustee. Each Authenticating Agent shall be acceptable to the Issuer (whose acceptance shall not be unreasonably withheld or delayed) and shall at all times be a corporation having a combined capital and surplus of not less than the equivalent of $50,000,000 and subject to supervision or examination by federal or state authority or the equivalent foreign authority, in the case of an Authenticating Agent who is not organized and doing business under the laws of the United States of America, any state thereof or the District of Columbia. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of such Authenticating Agent, shall continue to be an Authenticating Agent without the execution or filing of any paper or any further act on the part of the Trustee or such Authenticating Agent, *provided* that such corporation shall be otherwise eligible under this Section.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee, the Class A Note Insurer and to the Issuer. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating

Agent, the Noteholders, the Class A Note Insurer and to the Issuer. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Issuer (whose acceptance shall not be unreasonably withheld or delayed) and, after the occurrence of an Event of Default, the Control Party, and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Noteholders, if any, with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Note Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

If an appointment is made pursuant to this Section, the Notes may have endorsed thereon, in addition to the Trustee certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Notes described in the within-mentioned Indenture.

U.S. Bank National Association, as Trustee
By: _____
As Authenticating Agent

By: _____
Authorized Officer

*Section 7.15* *Appointment of Paying Agent other than Trustee; Money for Note Payments to be Held in Trust*.

If, at the request of the Trustee and with the consent of the Control Party, a party other than the Trustee is ever appointed as a Paying Agent, the Issuer will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that, subject to the provisions of this Section, such Paying Agent will:

(a) hold all sums held by it for the payment of principal or interest on Notes in trust in an Eligible Account in the name of the Trustee on behalf of the Issuer at the Corporate Trust Office, which account shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of the Secured Parties, until such sums shall be paid to such Persons or otherwise disposed of as provided in Section 13.03;

(b) give the Trustee, the Class A Note Insurer and the Noteholders notice of any Default by the Issuer (or any other obligor upon the Notes) in the making of any payment of principal or interest; and

(c) at any time, upon the written request of the Trustee or the Class A Note Insurer, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Issuer Order direct any Paying Agent to pay, to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to Section 11.04, any money deposited with the Trustee or any Paying Agent in trust for the payment of the principal or interest on any Note and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Issuer on Issuer Request, and the Noteholder of such Note shall thereafter, as an unsecured general creditor, and subject to any applicable statute of limitations, look only to the Issuer for payment thereof, and all liability of the Trustee and such Paying Agent with respect to such trust money or the related Note, shall thereupon cease; *provided* that the Trustee or such Paying Agent, before being required to make any such repayment, may (upon delivery of an Issuer Order), cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the city in which the Corporate Trust Office is located, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer; *provided, further*, that if such money or any portion thereof had been previously deposited by the Class A Note Insurer with the Trustee for the payment of principal or interest on the Notes, to the extent any amounts or any other amounts owing to the Class A Note Insurer under the Transaction Documents are owing to the Class A Note Insurer, such amounts shall be paid promptly to the Class A Note Insurer. The Trustee may also adopt and employ, any other reasonable means of notification of such repayment (including mailing notice of such repayment to the Noteholders whose right to or interest in monies due and payable but not claimed is determinable from the records of any Paying Agent, at the last address as shown on the Note Register for each such Noteholder). No additional interest shall accrue on the related Note subsequent to the date on which such funds were available for distribution to such Noteholder.

*Section 7.16* *Rights with Respect to the Servicer and Back-up Servicer*. The Trustee's rights and obligations with respect to the Servicer and the Back-up Servicer shall be governed by this Indenture, the Servicing Agreement and the other Transaction Documents.

*Section 7.17* *Representations and Warranties of the Trustee*. The Trustee hereby represents and warrants for the benefit of the parties hereto and the Secured Parties that:

(a) *Organization and Good Standing*. The Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the United States, and has the power to own its assets and to transact the business in which it is presently engaged;

(b) *Authorization*. The Trustee has the power, authority and legal right to execute, deliver and perform this Indenture and each other Transaction Document to which it is a party and to authenticate the Notes, and the execution, delivery and performance of this Indenture and each other Transaction Document and the authentication of the Notes has been duly authorized by the Trustee by all necessary corporate action;

(c) *Binding Obligations*. This Indenture and each other Transaction Document to which the Trustee is a party, assuming due authorization, execution and delivery by the other parties hereto and thereto, constitute the legal, valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws (whether statutory, regulatory or decisional) now or hereafter in effect relating to creditors' rights generally and the rights of trust companies in particular and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to certain equitable defenses and to the discretion of the court before which any proceeding therefore may be brought, whether in a proceeding at law or in equity;

(d) *No Conflict*. The performance by the Trustee of its obligations under this Indenture and each other Transaction Document to which the Trustee is a party will not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice, lapse of time or both) a default under, the charter documents or bylaws of the Trustee;

(e) *No Violation.* The execution and delivery of this Indenture and each other Transaction Document to which the Trustee is a party, the performance of the transactions contemplated thereby and the fulfillment of the terms thereof (including the authentication of the Notes), will not conflict with or violate, in any material respects, any requirements of law applicable to the Trustee.

(f) *No Proceedings*. To the best of its knowledge, there are no proceedings or investigations to which the Trustee is a party pending, or, to the knowledge of the Trustee, threatened, before any court, regulatory body, administrative agency or other tribunal or Governmental Authority (A) asserting the invalidity of this Indenture or any other Transaction Documents, (B) seeking to prevent the issuance of the Notes or the consummation of any of the transactions contemplated by this Indenture or any other Transaction Document or (C) seeking any determination or ruling that would materially and adversely affect the performance by the Trustee of its obligations under, or the validity or enforceability of, this Indenture, the Notes or any other Transaction Documents;

(g) *Approvals*. Neither the execution or delivery by the Trustee of this Indenture or any other Transaction Document to which it is a party nor the consummation of the transactions by the Trustee contemplated hereby or by any other Transaction Document to which it is a party requires the consent or approval of, the giving of notice to, the registration with or the taking of any other action with respect to any Governmental Authority under any existing federal or state law governing the banking or trust powers of the Trustee; and

(h) *Eligibility*. The Trustee meets the eligibility requirements set forth in Section 7.08 hereof.

(i) *Class A Insurance Policy Held in Trust*. The Trustee shall, and hereby agrees that it will, hold the Class A Insurance Policy in trust and will hold any proceeds of any claim on the Class A Insurance Policy in trust solely for the use and benefit of the Class A Noteholders.

## ARTICLE VIII
## THE CUSTODIAN

*Section 8.01* *Appointment of Custodian*. Subject to the terms and conditions hereof, the Issuer hereby revocably appoints the Custodian, and the Custodian hereby accepts such appointment and agrees to act as Custodian on behalf of the Secured Parties to maintain exclusive custody of the Contract Files in order to perfect the ownership interest of the Issuer in the Contracts and the security interest of the Secured Parties in the Contracts and the other items in the Contract Files and any and all proceeds of the foregoing; *provided* that from and after the release or discharge of the Secured Parties' lien in and to the Contracts and the other items in the Contract Files and any and all proceeds of the foregoing, the Custodian shall serve as exclusive agent and custodian of the Issuer with respect to the Contract Files.

*Section 8.02* *Removal of Custodian*. With or without cause, with sixty (60) days notice, (a) prior to the occurrence of an Event of Default the Issuer may, with the prior written consent of the Control Party, or (b) following the occurrence of an Event of Default, the Control Party may, remove and discharge the Custodian from the performance of its duties under this Indenture with respect to any or all of the Contracts and related Contract Files by written notice from the Issuer or the Control Party, as the case may be, to the Custodian, with a copy to the Trustee, the Class A Note Insurer and the Servicer. Having given notice of such removal, the Issuer (prior to the occurrence of an Event of Default) or the Control Party (following the occurrence of an Event of Default) shall, by written instrument and with the consent of the Control Party (if the notice of removal came from the Issuer), promptly appoint a successor custodian to act on behalf of the Issuer in replacement of the Custodian under this Indenture, which successor Custodian shall be satisfactory to the Control Party in its sole discretion. In the event of any such removal, the Custodian shall promptly transfer to the successor custodian, as directed, all affected Contracts and related Contract Files. In the event of removal of the Custodian for cause and the appointment of a successor custodian under this Indenture, the expenses of transferring the Contracts and related Contract Files to the successor custodian shall be at the expense of the Custodian. In the event of removal of the Custodian without cause by the Issuer (prior to the occurrence of an Event of Default) or the Control Party, as the case may be, and the appointment of a successor custodian under this Indenture, the Issuer shall be responsible for the expenses of transferring the Contracts and related Contract Files to the successor custodian. Notwithstanding the foregoing, this Indenture shall remain in full force and effect with respect to any Contracts and related Contract Files for which this Indenture is not terminated hereunder. The Custodian may petition a court of competent jurisdiction to appoint a successor hereunder if no successor is appointed within such 60-day notice period.

*Section 8.03* *Termination by Custodian*. The Custodian may terminate its obligations under this Indenture upon at least sixty (60) days notice to the Servicer, the Issuer, the Noteholders and the Class A Note Insurer; *provided*, no termination shall be effective until appointment of a successor acceptable to the Issuer or the Control Party. In the event of such termination, the Issuer shall promptly appoint a successor custodian acceptable to the Control

Party or, after the occurrence of an Event of Default, solely the Control Party may appoint a successor custodian. The payment of such successor custodian's fees and expenses with respect to each Contract and related Contract Files shall be solely the responsibility of the Issuer. Upon such appointment, the Custodian shall promptly transfer to the successor custodian, as directed, all Contracts and related Contract Files being held under this Indenture. The Custodian may petition a court of competent jurisdiction to appoint a successor hereunder if no successor is appointed within such sixty (60) day notice period.

*Section 8.04* *Limitations on the Custodian's Responsibilities*.

(a) Except as provided herein, the Custodian shall be under no duty or obligation to inspect, review or examine the Contracts or related Contract Files to determine that the contents thereof are appropriate for the represented purpose or that they have been actually recorded or that they are other than what they purport to be on their face.

(b) The Custodian shall not be responsible for preparing or filing any reports or returns relating to federal, state or local income taxes with respect to this Indenture, other than for the Custodian's compensation or for reimbursement of expenses.

(c) The Custodian shall not be responsible or liable for, and makes no representation or warranty with respect to, the validity, adequacy or perfection of any lien upon or security interest in any Contract; *provided* that, the foregoing shall not reduce or eliminate the Custodian's obligations under Section 4.03 hereof.

(d) Any other provision of this Indenture to the contrary notwithstanding, the Custodian shall have no notice, and shall not be bound by any of the terms and conditions of any document executed or delivered in connection with, or intended to control any part of, the transactions anticipated by or referred to in this Indenture unless the Custodian is a signatory party to that document or such document is the Indenture, the Servicing Agreement or the Lockbox Intercreditor Agreement. Notwithstanding the foregoing sentence, the Custodian shall be deemed to have notice of the terms and conditions (including, without limitation, definitions not otherwise set forth in full in this Indenture) of documents executed or delivered in connection with, or intended to control any part of, the transactions anticipated by or referred to in this Indenture, to the extent such terms and provisions are referenced, or are incorporated by reference, into this Indenture only as long as the Custodian shall have been provided a copy of any such document or Indenture. Each of the Trustee, the Back-up Servicer and the Custodian acknowledges receipt of a copy of the Transaction Documents to which it is a party on the Closing Date.

(e) The duties and obligations of the Custodian shall only be such as are expressly set forth in this Indenture or as set forth in a written amendment to this Indenture executed by the parties hereto or their successors and assigns. In the event that any provision of this Indenture implies or requires that action or forbearance be taken by a party, but is silent as to which party has the duty to act or refrain from acting, the parties agree that the Custodian shall not be the party required to take the action or refrain from acting. In no event shall the Custodian have any responsibility to ascertain or take action except as expressly provided herein.

(f) Nothing in this Indenture shall be deemed to impose on the Custodian any duty to qualify to do business in any jurisdiction, *other than* (i) any jurisdiction where any Contract and related Contract Files is or may be held by the Custodian from time to time hereunder, and (ii) any jurisdiction where its ownership of property or conduct of business requires such qualification and where failure to qualify could have a material adverse effect on the Custodian or its property or business or on the ability of the Custodian, the Issuer or the Servicer to perform its duties hereunder or under the other Transaction Documents.

(g) The Custodian may consult with counsel selected by the Custodian with regard to legal questions arising out of or in connection with this Indenture, and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action reasonably taken, omitted or suffered by the Custodian in good faith and in accordance therewith.

(h) The Custodian may, at any time during the administration of this Indenture, request and receive a written direction from the Control Party in connection with actions to be taken under this Indenture and shall not be liable for any action taken or omitted in good faith reliance thereon;

(i) No provision of this Indenture shall require the Custodian to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights and powers, if, in its reasonable judgment, it shall believe that repayment of such funds is not reasonably assured to it without an indemnity against such risk or liability.

(j) The Custodian shall have no duty to ascertain whether or not each amount or payment has been received by the Trustee or any third person.

(k) For purposes of the foregoing provisions and any other provisions in this Indenture permitting the Custodian to require an indemnity before taking any actions, the Custodian agrees that an unsecured indemnity from a Noteholder or the Class A Note Insurer, so long as such party has an unsecured debt rating of at least BBB by Moody's and Baa2 by S&P, shall be deemed satisfactory.

*Section 8.05* *Limitation on Liability*. Neither the Custodian nor any of its directors, officers, agents or employees, shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith in good faith and believed (which belief may be based upon the opinion or advice of counsel selected by it in the exercise of reasonable care) by it or them to be within the purview of this Indenture, except for its or their own negligence, lack of good faith or willful misconduct. The Custodian and any director, officer, employee or agent of the Custodian may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person respecting any matters arising hereunder. In no event shall the Custodian or its directors, officers, agents and employees be held liable for any special, indirect or consequential damages resulting from any action taken or omitted to be taken by it or them hereunder or in connection herewith even if advised of the possibility of such damages. The provisions of this Section 8.05 shall survive the termination of this Indenture.

*Section 8.06* *Custodian Obligations Regarding Genuineness of Documents*. In the absence of bad faith or negligence on the part of the Custodian, the Custodian may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any request, instructions, certificate, opinion or other document furnished to the Custodian, reasonably believed by the Custodian to be genuine and to have been signed or presented by the proper party or parties and conforming to the requirements of this Indenture; *provided* that the provisions of this Section shall not in any manner limit or reduce the responsibilities of the Custodian under this Indenture.

*Section 8.07* *Force Majeure*. The Custodian shall not be responsible for delays or failures in performance resulting from acts of God, strikes, lockouts, riots, acts of war or terrorism, epidemics, nationalization, expropriation, currency restrictions, government regulations adopted after the date of this Indenture, fire, communication line failures, computer viruses, power failures, earthquakes or other disasters of a similar nature which are beyond its control.

## ARTICLE IX
## THE CLASS A INSURANCE POLICY

*Section 9.01* *Claims Under Class A Insurance Policy*.

(a) Upon receipt of and based on the Monthly Servicing Report, the Trustee shall, prior to each Payment Date, determine the Note Insurance Guaranteed Payment for the related Payment Date. If the Note Insurance Guaranteed Payment for such Payment Date is greater than zero, the Trustee shall, not later than the third Business Day preceding such Payment Date, furnish to the Class A Note Insurer a completed Notice (as defined in (b) below) in the amount of the Note Insurance Guaranteed Payment claimed under the Class A Insurance Policy. Amounts paid by the Class A Note Insurer pursuant to a claim submitted under this Section shall be deposited by the Trustee into the Collection Account for payment to Class A Noteholders on the related Distribution Date.

(b) Any notice and certificate delivered by the Trustee to the Class A Note Insurer in the form attached as Exhibit A to the Class A Insurance Policy pursuant to subsection (a) shall specify the Note Insurance Guaranteed Payment claimed under the Class A Insurance Policy and shall constitute a "*Notice of Claim"* under the Class A Insurance Policy. In accordance with the provisions of the Class A Insurance Policy, the Class A Note Insurer is required to pay to the Trustee the Note Insurance Guaranteed Payment properly claimed thereunder by 12:00 noon, New York time, on the later of (i) the third Business Day following receipt on a Business Day of the Notice, and (ii) the Payment Date. Any payment made by the Class A Note Insurer under the Class A Insurance Policy shall be applied solely to the payment of the Note Insurance Guaranteed Payment, and for no other purpose.

(c) The Trustee shall deposit the Note Insurance Guaranteed Payment in the Collection Account upon receipt of such Note Insurance Guaranteed Payment from the Class A Note Insurer for distribution on the Payment Date to the Class A Noteholders in accordance with Section 13.03.

(d) The Trustee shall (i) receive as attorney-in-fact of each Class A Noteholder, any Note Insurance Guaranteed Payment from the Class A Note Insurer and (ii) deposit the same into the Collection Account pursuant to Sections 9.01(c) and 13.03 for distribution to the Class A Noteholders. Any and all Note Insurance Guaranteed Payments disbursed by the Trustee from claims made under the Class A Insurance Policy shall not be considered payment by the Issuer with respect to such Class A Notes, and shall not discharge the obligations of the Issuer with respect thereto. The Class A Note Insurer shall, to the extent it makes any payment with respect to the Class A Notes, become subrogated to the rights of the recipients of such payments to the extent of such payments. Subject to and conditioned upon any payment with respect to the Class A Notes by or on behalf of the Class A Note Insurer, the Trustee shall assign to the Class A Note Insurer all rights to the payment of interest or principal with respect to the Class A Notes which are then due for payment to the extent of all payments made by the Class A Note Insurer and the Class A Note Insurer may exercise any option, vote, right, power or the like with respect to the Class A Notes to the extent that it has made payment pursuant to the Class A Insurance Policy. To evidence such subrogation, the Note Registrar shall note the Class A Note Insurer's rights as subrogee upon the register of the Class A Noteholders upon receipt from the Class A Note Insurer of proof of payment by the Class A Note Insurer of any amounts due in respect of the Class A Notes on the Final Payment Date. The foregoing subrogation shall in all cases be subject to the rights of the Class A Noteholders to receive all Note Insurance Guaranteed Payments in respect of the Class A Notes.

(e) The Trustee shall keep a complete and accurate record of all funds deposited by the Trustee on behalf of the Class A Note Insurer into the Collection Account with respect to the Class A Insurance Policy and the allocation of such funds to payment of interest and principal in respect of any Class A Note. The Class A Note Insurer shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

(f) The Trustee shall be entitled to enforce on behalf of the Class A Noteholders the obligations of the Class A Note Insurer under the Class A Insurance Policy, and acknowledges on behalf of the holders of the Subordinated Notes that the Class A Insurance Policy is solely for the benefit of the the Class A Noteholders and no holder of any Subordinated Note will have any rights to receive payments under the Class A Insurance Policy. Notwithstanding any other provision of this Indenture or any Transaction Document, the Class A Noteholders are not entitled to institute proceedings directly against the Class A Note Insurer.

*Section 9.02* *Preference Claims Under Class A Insurance Policy*.

(a) In the event that the Trustee has received a certified copy of a Final Order that all or a portion of any amount insured under the Class A Insurance Policy has been avoided in whole or in part as a preference payment under applicable bankruptcy law, the Trustee shall so notify the Class A Note Insurer, shall comply with the provisions of the Class A Insurance Policy to obtain payment by the Class A Note Insurer of such avoided payment, and shall, at the time it provides notice to the Class A Note Insurer, notify Holders of the Class A Notes by mail that, in the event that any Class A Noteholder's payment is so recoverable, such Noteholder will be entitled to payment pursuant to the terms of the Class A Insurance Policy. The Trustee shall furnish to the Class A Note Insurer its records evidencing the payments of principal of and interest on Class A Notes, if any, which have been made by the Trustee and subsequently

recovered from a Class A Noteholder, and the dates on which such payments were made. Pursuant to the terms of the Class A Insurance Policy, the Class A Note Insurer will make such payment on behalf of the Noteholder to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in the Final Order and not to the Trustee or any Class A Noteholder directly (unless a Noteholder has previously paid such payment to the receiver, conservator, debtor-in-possession or Trustee in bankruptcy, in which case the Class A Note Insurer will make such payment to the Trustee for distribution to such Noteholder upon proof of such payment reasonably satisfactory to the Class A Note Insurer).

(b) The Trustee shall promptly notify the Class A Note Insurer of any proceeding or the institution of any action (of which a Responsible Officer of the Trustee has actual knowledge) seeking a Preference Amount. In accordance with the provisions of the Class A Insurance Policy, the Class A Note Insurer is required to pay an amount equal to each such Preference Amount on the later of (A) the date when due to be paid pursuant to a Final Order or (B) the first to occur of (i) the fourth (4th) Business Day following receipt by the Class A Note Insurer on a Business Day of (w) a certified copy of a Final Order, (x) an assignment, in form reasonably satisfactory to the Class A Note Insurer, irrevocably assigning to the Class A Note Insurer all rights and claims of the Trustee and/or such Class A Noteholder relating to or arising under such Preference Amount and constituting an appropriate instrument, in form satisfactory to the Class A Note Insurer, appointing the Class A Note Insurer as the agent of the Trustee and/or such Class A Noteholder in respect of such Preference Amount, including without limitation in any legal proceeding related to such Preference Amount, (y) a Notice appropriately completed and executed by the Trustee or such Class A Noteholder, as the case may be, and (z) a certificate of such Class A Noteholder that the Final Order has been entered and is not subject to any stay or (ii) the date of receipt by the Class A Note Insurer from the Trustee of the items referred to in clauses (w), (x), (y) and (z) above if, at least four (4) Business Days prior to such date of receipt, the Class A Note Insurer shall have received written notice from the Trustee that such items were to be delivered on such date and such date was specified in such notice. Such payment shall be made to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in a Final Order and not to the Trustee or Class A Noteholder directly (unless the Class A Noteholder has previously paid such amount to such receiver, conservator, debtor-in-possession or trustee in bankruptcy named in such Final Order, in which case payment shall be made to the Trustee for distribution to the Class A Noteholder upon delivery of proof of such payment reasonably satisfactory to the Class A Note Insurer). In connection with the foregoing, the Class A Note Insurer will have the rights provided pursuant to this Indenture and the Insurance Agreement. Notwithstanding the foregoing, in no event shall the Class A Note Insurer be (i) required to make any payment under the Class A Insurance Policy in respect of any Preference Amount to the extent such Preference Amount is comprised of amounts previously paid by the Class A Note Insurer, or (ii) obligated to make any payment in respect of any Preference Amount, which payment represents a payment of the principal amount of any Class A Notes, prior to the time the Class A Note Insurer otherwise would have been required to make a payment in respect of such principal, in which case the Class A Note Insurer shall pay the balance of the Preference Amount when such amount otherwise would have been required to be paid hereunder.

(c) Each Class A Noteholder, by its purchase of Class A Notes, and the Trustee hereby agree that the Class A Note Insurer may at any time during the continuation of any proceeding relating to a Preference Amount direct all matters relating to such Preference

Amount, including, without limitation, (i) the direction of any appeal of any order relating to any Preference Amount and (ii) the posting of any surety, supersedeas or performance bond pending any such appeal at the expense of the Class A Note Insurer, but subject to reimbursement as provided in the Insurance Agreement. In addition, and without limitation of the foregoing, the Class A Note Insurer shall be subrogated to, and each Class A Noteholder and the Trustee hereby delegate and assign, to the fullest extent permitted by law, the rights of the Trustee and each Class A Noteholder in the conduct of any proceeding with respect to a Preference Amount, including, without limitation, all rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Preference Amount.

*Section 9.03* *Collateral and Trust Accounts Held for Benefit of the Class A Note Insurer*. The Trustee shall hold the Collateral for the benefit of the Secured Parties and all references in this Indenture and in the Class A Notes to the benefit of Class A Noteholders shall be deemed to include the Class A Note Insurer.

*Section 9.04* *Preservation of the Class A Note Insurer's Rights*. Upon its becoming aware of the occurrence of a Default, an Event of Default or an Event of Servicing Termination, the Trustee shall promptly notify the Class A Note Insurer of such Default, Event of Default or Event of Servicing Termination pursuant to Section 7.02 of this Indenture. The Trustee, the Issuer and the Servicer shall cooperate in all respects with any reasonable request by the Class A Note Insurer for action to preserve or enforce the Class A Note Insurer's rights or interests under this Indenture without limiting the rights or affecting the interests of the Class A Noteholders as otherwise set forth herein.

*Section 9.05* *Pending Litigation*. The Trustee hereby agrees to provide the Class A Note Insurer prompt notice of any action, proceeding or investigation of which it has actual knowledge that names the Issuer, Trustee or Servicer as a party that could adversely affect the interest of the Class A Noteholders.

*Section 9.06* *Class A Note Insurer's Rights*.

(a) For so long as no Class A Note Insurer Default has occurred and is continuing, each Class A Noteholder agrees that the Class A Note Insurer shall be treated by the Issuer, the Servicer, the Back-up Servicer and the Trustee, as if the Class A Note Insurer were the Class A Noteholders for the purpose (and solely for the purpose) of the giving of any consent, the making of any direction or the exercise of any voting or other control rights otherwise given to the Class A Noteholders hereunder and the Class A Noteholders shall only exercise such rights with the prior written consent of the Class A Note Insurer.

(b) The Trustee, the Issuer, the Servicer and the Back-up Servicer shall cooperate in all respects with any reasonable request by the Class A Note Insurer for action to preserve or enforce the Class A Note Insurer's rights or interests under this Indenture without limiting the rights or affecting the interests of the Class A Noteholders as otherwise set forth herein.

(c) The Trustee acknowledges that (i) to the extent the Class A Note Insurer makes payments under the Class A Insurance Policy, the Class A Note Insurer shall become the holder of the Class A Notes (and with respect thereto the Class A Notes shall remain outstanding and shall not be (and shall not be deemed to have been) redeemed, retired or otherwise terminated) and right to payment of principal thereto or interest thereon, and shall be fully subrogated to all rights, title and interest of the Trustee and such Class A Noteholders thereunder, including the right to receive payments in respect of the Class A

Notes, and (ii) the Class A Note Insurer shall be paid such principal and interest but only from the sources and in the manner provided herein and in the Insurance Agreement and the Class A Insurance Policy for the payment of such principal and interest.

(d) The Trustee and each Class A Noteholder, as applicable, shall, so long as it is indemnified to its satisfaction, cooperate in all respects with any reasonable written request by the Class A Note Insurer for action to preserve or enforce the Class A Note Insurer's rights, remedies and interest under the Class A Notes, this Indenture, the Class A Insurance Policy, the Insurance Agreement and the Premium Letter or any related servicing arrangements or otherwise, including, without limitation, a request to take any one or more of the following actions:

(i) institute or participate in any suit, action or other proceedings, including for the collection of all amounts then payable on the Class A Notes, or under this Indenture in respect of the Class A Notes and all amounts payable under the Insurance Agreement, the Class A Insurance Policy and the Premium Letter, enforce any judgment obtained and collect from the Trustee (if applicable) monies adjudged due;

(ii) transfer to the Class A Note Insurer, via absolute legal assignments (a) the Class A Notes and (b) the Trustee's or such Class A Noteholder's rights with respect to any Insured Amount which may form the basis of a claim hereunder;

(iii) sell or cause to be sold the Collateral or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law;

(iv) institute proceedings from time to time to enforce the Class A Note Insurer's rights and remedies under this Indenture, the Insurance Agreement, the Class A Insurance Policy and the Premium Letter; and

(v) exercise any remedies of a secured party under the applicable UCC and take any other appropriate action to protect and enforce the rights and remedies of the Class A Note Insurer hereunder;

provided, however, action shall be taken pursuant to this Section 9.06 by the Trustee to preserve the Class A Note Insurer's rights or interest under this Indenture or the Insurance Agreement or the Class A Insurance Policy or the Premium Letter only to the extent such action is available to the Noteholders of the Class A Notes or the Class A Note Insurer under other provisions of this Indenture, the Insurance Agreement, the Class A Insurance Policy and the Premium Letter.

(e) From and after the time that no Class A Notes are Outstanding and no Class A Note Insurer Premiums or Reimbursement Amounts are owing to the Class A Note Insurer, notwithstanding any lack of specific language to that effect, each provision of the Transaction Documents requiring the consent or notification of, or providing notices to, the Class A Note Insurer shall not be applicable.

*Section 9.07* *Notices to the Class A Note Insurer*. All notices, statements, reports, certificates, lists or opinions required by this Indenture to be sent to the parties hereto, the Rating Agencies or the Noteholders shall also be sent, at the same time such statements, reports, certificates, lists or opinions are otherwise sent, by overnight delivery, fax or email to the Class A Note Insurer.

*Section 9.08* *Surrender of Class A Insurance Policy*. The Trustee shall surrender the Class A Insurance Policy to the Class A Note Insurer for cancellation upon the expiration of such policy in accordance with the terms thereof.

## ARTICLE X
## SUPPLEMENTAL INDENTURES

*Section 10.01* *Supplemental Indentures without Consent of the Noteholders*.

(a) The Issuer, the Trustee and the Custodian, without the consent of the Holders of any Notes but with the consent of the Control Party may, at any time and from time to time, enter into one or more amendments to this Indenture or indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes, *provided* that (x) any such amendment or supplemental indenture, as evidenced by an opinion of counsel if requested by the Trustee, the Class A Note Insurer or the Control Party, will not have an adverse effect on the rights or interests of the Holders or the Class A Note Insurer, (y) each Rating Agency has confirmed, in writing, that the ratings on the Notes will not be lowered (without regard to the Class A Insurance Policy) as a result of or in connection with any such amendment, and (z) any such amendment does not modify this Indenture in a manner requiring the consent of all affected Noteholders as described in Section 10.02 hereof:

(i) to better assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject additional property to the Lien of this Indenture; or

(ii) to cause the provisions in this Indenture to conform to or be consistent with or in furtherance of the statements made with respect to the Notes, the Collateral or the Transaction Documents in the Offering Circular to the extent that such provisions were intended to be verbatim recitations of a provision in the Offering Circular, or to correct or supplement any provision in the Indenture which may be inconsistent with any other provisions therein or with the provisions of any other Transaction Document; or

(iii) to evidence the succession of another Person to the Issuer, and the assumption by such successor of the covenants of the Issuer in this Indenture and in the Notes; or

(iv) to add to the covenants of, and the conditions, limitations and restrictions to be observed by, the Issuer, for the benefit of the holders of all Notes and the Class A Note Insurer or to surrender any right or power conferred upon the Issuer in this Indenture; or

(v) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee; or

(vi) to evidence the succession of the Trustee pursuant to the terms of this Indenture.

(b) The Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture that affects the Trustee's own rights, duties, indemnities, liabilities or immunities under this Indenture or otherwise.

(c) Promptly after the execution by the Issuer, the Custodian and the Trustee of any supplemental indenture pursuant to this Section, the Issuer shall make available (in the manner described in Section 7.01(k)) to each Rating Agency and furnish to each Noteholder and the Class A Note Insurer a copy of such supplemental indenture.

*Section 10.02* *Supplemental Indentures with Consent of the Noteholders*. With the prior written consent of the Control Party, and the Servicer, the Issuer, the Trustee and the Custodian may enter into an amendment or modification to this indenture or into indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Class A Note Insurer or the Holders of the Notes under this Indenture (other than as provided in Section 10.01 hereof); *provided, however*, that no such amendment or supplemental indenture shall become effective without the consent of the Class A Note Insurer, so long as it is the Control Party, and each of the Holders of the Notes adversely affected thereby if such amendment or supplemental indenture shall:

(a) change the Stated Maturity Date of any Note or the due date of any installment of principal of, or method of computing principal of, or any installment of interest on, any Note, or change the Outstanding Note Balance thereof or the applicable Note Rate thereof or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment; or

(b) reduce the percentage of the Outstanding Note Balance of Outstanding Notes, the consent of the Holders (or of the Class A Note Insurer) of which is required for any such amendment or supplemental indenture, or the consent of the Holders (or of the Class A Note Insurer) of which is required for any waiver of compliance with certain provisions of this Indenture or Events of Default or their consequences; or

(c) impair or adversely affect the priority of any payments payable by the Trustee from the Collection Account on each Payment Date under this Indenture; or

(d) permit the creation of any Lien ranking prior to, on a parity with, or subordinate to the Lien of the Trustee with respect to any part of the Collateral or, except as expressly provided in this Indenture, terminate or release the Lien of the Trustee on any material portion of the Collateral at any time subject to the Indenture or deprive any Secured Party of the security afforded by the Lien of this Indenture; or

(e) modify or alter any of the provisions of this Section 10.02 or any defined term used in Sections 10.01 or 10.02 of this Indenture (or any defined term used therein), except to increase the percentage of Holders required for any modification or waiver or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of each Noteholder and the Class A Note Insurer affected thereby;

(f) alter (i) the priority of payments set forth in Section 13.03(c) or Section 13.03(d) or (ii) any defined term used therein, in either event so as to alter the priority of payments in a manner that is detrimental to such affected Noteholders (and the Class A Note Insurer, if applicable); or

(g) subject to the rights of the Control Party to waive enforcement of any Event of Default, modify Sections 6.01(a) or 6.01(b) or any defined term used therein so as to eliminate any such Event of Default or to remove the provisions relating to the acceleration of the Notes.

The Trustee is hereby authorized to join in the execution of any such amendment or supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into any such amendment or supplemental indenture that affects in any adverse respect the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Promptly after the execution by the Issuer, the Servicer, the Class A Note Insurer, so long as it is the Control Party, and the Trustee (and all Noteholders if required to approve such amendment or supplement) of any supplemental indenture pursuant to this Section, the Issuer shall mail to each Rating Agency, the Back-up Servicer, the Class A Note Insurer and each Noteholder a copy of such supplemental indenture.

*Section 10.03* *Execution of Supplemental Indentures*. In executing any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Class A Note Insurer and the Trustee shall receive, and (solely with respect to the Trustee, subject to Section 7.01) shall be not be liable for and shall be fully authorized to conclusively rely in good faith upon, an Opinion of Counsel reasonably acceptable to the Trustee stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and all conditions precedent to such execution have been satisfied.

*Section 10.04* *Effect of Supplemental Indentures*. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Noteholder theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

*Section 10.05* *Reference in Notes to Supplemental Indentures*. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and if required by the Issuer shall, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Issuer shall so determine, new Notes so modified as to conform, in the opinion of the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Notes.

*Section 10.06* *Amendments Affecting the Class A Note Insurer; Consent of Note Insurer*. Notwithstanding any of the other provisions of this Indenture, none of the Issuer, the Servicer, the Back-up Servicer, the Trustee or the Custodian shall enter into any amendment or supplement to this Indenture that would (i) adversely affect or diminish the rights of the Class A Note Insurer, or the benefits accorded to the Class A Note Insurer, under the Insurance Agreement, the Premium Letter, this Indenture (including the priority of payments set forth in Section 13.03) or any other Transaction Document, or (ii) adversely affect or expand the obligations of the Class A Note Insurer under the Insurance Agreement, the Premium Letter and the Class A Insurance Policy, without the consent of the Class A Note Insurer.

*Section 10.07* *Back-Up Servicer Consent*. Notwithstanding any other provision to the contrary, for so long as there is a Back-Up Servicer, the Issuer, the Indenture Trustee and the Custodian shall not, without the consent of the Back-Up Servicer (such consent not to be unreasonably withheld), make, execute, acknowledge or deliver amendments to this Indenture or enter into any supplemental indentures hereto or thereto or otherwise waive or amend any provision of this Indenture if such action will have, or it is expected may have, a material adverse effect on the Back-Up Servicer or any successor Servicer.

*Section 10.08* *Amendments to the Lockbox Intercreditor Agreement*. The Trustee shall not enter into any material amendment, modification, supplement, consent or waiver of the Lockbox Intercreditor Agreement without the satisfaction of the Rating Agency Condition and the written consent of the Class A Note Insurer for so long as it is the Control Party.

## ARTICLE XI
## REDEMPTIONS AND PREPAYMENTS OF NOTES

*Section 11.01* *Redemptions of Notes*.

(a) *Auction Call and Optional Redemption*. (I) If there is a successful Auction in accordance with Section 11.06, the Trustee shall apply the proceeds of the Auction to redeem, in whole but not in part, all Outstanding Notes prior to the Stated Maturity Date (the "*Auction Call Redemption*") and (II) if the Auction is completed and is not successful in accordance with Section 11.06 or if no Auction is conducted due to the conditions in the first sentence of Section 11.06 not being satisfied, the Issuer shall have the right, subject to the terms hereof, to redeem, in whole but not in part, all Outstanding Notes on the Redemption Date fixed in accordance therewith on any Payment Date on which the Aggregate Outstanding Note Balance, after giving effect to the payments made on such Payment Date, is less than or equal to ten percent (10%) of the Aggregate Initial Note Balance issued under this Indenture (an "*Optional Redemption*"). In connection with the Auction Call Redemption, the Trustee shall set the Redemption Date as a

Payment Date in accordance with Section 11.06. In connection with an Optional Redemption, the Issuer shall set the Redemption Date as a future Payment Date. Installments of interest and principal due on or prior to the Redemption Date shall continue to be payable to the Holders of the Notes called for redemption as of the relevant Record Dates according to their terms and the provisions of Section 2.09 hereof.

(b) *Mandatory Redemptions.* In the event that any funds are released from the Reserve Account, the Prefunding Account and/or the Capitalized Interest Account to the Collection Account to be allocated as Available Funds then, unless an Event of Default or Cumulative Net Loss Trigger has occurred and is continuing (in which event such Available Funds will be allocated as provided in Section 13.03(d)), the Notes shall be mandatorily redeemable, without notice, in the amount of the funds so released, in each case in accordance with the provisions of Section 13.04, 13.06 and 13.07.

*Section 11.02* *Redemption Procedures*. In connection with any redemption pursuant to Section 11.01(a) hereof:

(a) in the case of an Optional Redemption, the Issuer shall, at least 15 days prior to the Redemption Date, notify the Trustee and the Holders of the Notes in writing of the Optional Redemption and, in the case of an Auction Call Redemption, the Trustee shall, as soon as reasonably practicable after the Auction and, in any event, prior to the Redemption Date, notify the Holders of the Notes in writing of the Auction Call Redemption;

(b) in the case of an Optional Redemption, the Issuer and, in the case of the Auction Call Redemption, the Winning Bidder, shall deposit in the Collection Account on the Business Day immediately preceding the Redemption Date at least the amounts described in Section 11.02(c);

(c) in the case of an Optional Redemption, the Issuer shall deliver an Issuer Order directing the Trustee to and the Trustee shall, and, in the case of the Auction Call Redemption, the Trustee shall (without any Issuer Order), make payment on the Redemption Date of the sum of (A) the Redemption Price plus, (B) fees, expenses and other reimbursable amounts owing to the Noteholders, the Class A Note Insurer, the Transferor, the Trustee (including any expenses related to the Auction Call Redemption), the Securities Intermediary, the Custodian, the Back-up Servicer and the Servicer under the Transaction Documents; and

(d) upon delivery to the Trustee, the Noteholders, the Class A Note Insurer (so long as it is the Control Party), the Custodian, the Paying Agent, and the Back-up Servicer of such documents and an Officer's Certificate from the Servicer satisfactory to the Control Party certifying that (1) the amounts required to be deposited into the Collection Account shall have been deposited, (2) the requirements of this Article XI have been satisfied and (3) the Class A Insurance Policy has been returned to the Class A Note Insurer, the Trustee shall release its interest in the entire Collateral as provided in Section 11.05.

*Section 11.03* *Notice of Redemption to Noteholders*. In the case of an Optional Redemption, upon receipt of the Optional Redemption notice set forth in Section 11.02(a), the Trustee shall provide notice thereof with a copy of such notice of redemption pursuant to Section 11.01 by first class mail or courier delivery, dispatched no later than five (5) Business Days following the date on which such notice was provided to each Noteholder (at its address in the Note Register) and to the Class A Note Insurer (at its address set forth herein) (so long as it is the Control Party). In the case of the Auction Call Redemption, the Trustee shall, as soon as reasonably practicable, award to the Winning Bidder at the Auction and, in any event, prior to the Redemption Date, provide notice thereof by first class mail or courier delivery to each Noteholder (at its address in the Note Register).

All notices of redemption shall state:

(a) the Redemption Date;

(b) the amount that will be deposited in the Collection Account, which shall be at least the sum of (A) the Redemption Price plus (B) all other amounts that are payable to the Noteholders, the Class A Note Insurer, the Trustee (including any expenses related to the Auction Call Redemption), the Transferor, the Custodian, the Back-up Servicer, and the Servicer under the Transaction Documents on the Redemption Date;

(c) that on the Redemption Date, the Redemption Price will become due and payable with respect to the Notes, and that interest on all Outstanding Notes shall cease to accrue on such date;

(d) all conditions precedent in connection with such redemption have been satisfied;

(e) the address at which such redeemed Notes shall be delivered; and

(f) the record date for such Redemption Date, which shall be one Business Day before the Redemption Date.

Notice of redemption of Notes shall be given by the Trustee in the name and at the expense of the Issuer.

*Section 11.04* *Amounts Payable on Redemption Date*. Notice of redemption having been given to Noteholders as provided in Section 11.03, such Notes shall, on the Redemption Date, become due and payable at the Redemption Price, and on such Redemption Date (unless the Issuer, in the case of an Optional Redemption or the Winning Bidder, in the case of an Auction Call Redemption, shall default in the payment of such Redemption Price), all of the Outstanding Notes shall cease to bear interest. On the Redemption Date: (A) each Noteholder shall be paid such Noteholder's applicable share of the Redemption Price by the Paying Agent on behalf of the Issuer upon presentation and surrender of their respective Notes at the office or agency specified in Section 7.13; and (B) each other Person to whom monies are owed under Section 11.02(b) shall be paid all amounts owing to such Person from the amounts deposited in the Collection Account in accordance with Section 11.03(b); *provided*, that no redemption may be effectuated unless, concurrently with the redemption occurring under this Article XI, all amounts due under this clause (B) shall be paid in full from funds on deposit in the Collection

Account. If the Holder of any Note called for redemption shall not be so paid, then the principal shall, until paid, bear interest from the Redemption Date at the applicable Note Rate and the redemption of such Note(s) shall be canceled, the Paying Agent shall return the related portion of the Redemption Price to the Issuer or other Person providing the funds for payment, and such Notes shall be payable on the Stated Maturity Date or earlier to the extent otherwise provided herein. All amounts payable on the Redemption Date shall be paid in accordance with this Section 11.04, without regard to the priority of distribution provisions contained in Section 13.03.

*Section 11.05* *Release of Contract Assets in Connection with Redemptions*.

(a) In connection with the redemptions permitted under this Article XI, the Trustee shall release its Lien on the Contracts and the related Contract Assets, upon (I) the deposit of the amounts set forth in Section 11.03(b) into the Collection Account and (II) the Issuer's delivery to the Trustee and the Custodian of an Officer's Certificate, (1) identifying the Contracts and the related Equipment to be released, (2) requesting the release thereof, (3) setting forth the amount deposited in the Collection Account with respect thereto, (4) certifying that the amount deposited in the Collection Account is at least equal to the Redemption Price and all other amounts required to be paid in connection with a redemption under this Article XI, and (5) certifying that all other conditions precedent set forth in the Transaction Documents relating to such release have been satisfied.

(b) Upon release of the Trustee's Lien on the Contracts in accordance with Section 11.05(a), the Custodian shall deliver to the Issuer, in the case of an Optional Redemption, or to the Winning Bidder, in the case of the Auction Call Redemption, the Contracts and all related Contract Assets described in the Issuer's Officer's Certificate.

*Section 11.06* *Auction of Collateral*

. The Trustee shall conduct one and only one auction (the "*Auction*") of all of the Collateral commencing promptly after the Payment Date (the "*Auction Trigger Payment Date*"), if any, on which the Aggregate Outstanding Note Balance, after giving effect to the payments made on such Payment Date, is less than or equal to $15,750,000) (*i.e.*, fifteen percent (15%) of the Aggregate Initial Note Balance issued under this Indenture) in order to redeem, in whole but not in part, all Outstanding Notes prior to the Stated Maturity Date and in accordance with this Article XI; *provided* that the Auction shall not be deemed successful and no Auction Call Redemption shall occur unless the conditions set forth in this Section 11.06 are satisfied. Any LEAF Party or Affiliate thereof may, but shall not be required to, bid at the Auction. The method, manner, time, place and terms of the Auction shall be fixed by the Trustee and shall be commercially reasonable, providing reasonable opportunity for any prospective bidder to conduct a due diligence review of the Collateral. The Auction shall be conducted via public advertisement and shall not be a private auction. The Trustee, on behalf of the Issuer, shall sell and transfer all of the Collateral, without representation, warranty or recourse, to the highest qualifying bidder (the "*Winning Bidder*") for the Collateral at the Auction on the Business Day immediately preceding the Redemption Date, which shall be the second Payment Date immediately following the Auction Trigger Payment Date, but only if:

(1) there are at least two *bona-fide* bids at the Auction from Persons that are not an Originator, the Transferor or an Affiliate of either of them;

(2) the highest bid at the Auction is an amount in cash equal to or greater than the sum of (A) the Redemption Price and (B) all fees, expenses and other reimbursable amounts owing to the Noteholders, the Class A Note Insurer, the Transferor, the Trustee (including any expenses related to the Auction Call Redemption), the Securities Intermediary, the Custodian, the Back-up Servicer and the Servicer under the Transaction Documents; and

(3) the Winning Bidder has entered into a written agreement with the Issuer and the Trustee that obligates such highest bidder to purchase all of the Collateral at the highest bid, with the closing of such purchase (and full payment in immediately available funds to the Collection Account) to occur on the Business Day immediately preceding the Redemption Date.

If a Noteholder is the Winning Bidder, in lieu of paying cash therefor, such bidder may make settlement for the purchase price by crediting against the purchase price that portion of the net proceeds of such Auction to which such Winning Bidder would be entitled, after deducting the reasonable costs, charges and expenses (including reasonable attorneys' fees and expenses) incurred by such Noteholder in connection with such Auction and the closing of the purchase of the Collateral. If no qualifying bid is received before the seventh Business Day immediately preceding the Redemption Date, or if the Winning Bidder shall fail to close the purchase of the Collateral as aforesaid, then no Auction sale shall occur. For the avoidance of doubt, the Trustee shall conduct only one Auction.

## ARTICLE XII
## REPRESENTATIONS, WARRANTIES AND COVENANTS

*Section 12.01* *Representations and Warranties*.

The Issuer hereby makes the following representations and warranties for the benefit of the Trustee, the Custodian and the Secured Parties on which the Trustee relies in accepting the Collateral in trust and in authenticating the Notes and the Class A Note Insurer relies in issuing the Class A Insurance Policy. Except as specifically provided otherwise, such representations and warranties are made as of the Closing Date and each Acquisition Date and shall survive the transfer, grant and assignment of the Collateral to the Trustee.

(a) *Organization and Good Standing*. The Issuer is a Delaware limited liability company duly organized, validly existing and is not organized under the laws of any other jurisdiction. The Issuer is in good standing under the law of the State of Delaware and each other State where the nature of its activities requires it to "qualify to do business", except to the extent that the failure to so qualify would not individually or in the aggregate materially adversely affect the ability of the Issuer to perform its obligations under the Transaction Documents.

(b) *Authorization*. The Issuer has the power, authority and legal right to execute, deliver and perform under the Transaction Documents and the execution, delivery and performance of the Transaction Documents have been duly authorized by the Issuer by all necessary limited liability company action.

(c) *Binding Obligation*. Each of the Transaction Documents to which the Issuer is a party, assuming due authorization, execution and delivery by the parties thereto other than the Issuer, constitutes a legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, rehabilitation, moratorium or other similar laws (whether statutory, regulatory or decisional) now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to certain equitable defenses and to the discretion of the court before which any proceeding therefor may be brought, whether a proceeding at law or in equity.

(d) *No Violation*. The consummation of the transactions contemplated by the fulfillment of the terms of the Transaction Documents will not: (i) conflict with, result in any breach of any of the material terms and provisions of, or constitute (with or without notice, lapse of time or both) a default under the organizational documents of the Issuer, any indenture, agreement, mortgage, deed of trust or other instrument to which the Issuer is a party or by which it is bound; (ii) result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of such indenture, agreement, mortgage, deed of trust or other such instrument, other than any Lien created or imposed pursuant to the terms of the Transaction Documents, or (iii) violate any law or, to the best of the Issuer's knowledge, any material order, rule or regulation applicable to the Issuer of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Issuer or any of its properties.

(e) *No Proceedings*. There are no proceedings or investigations to which the Issuer, or any of the Issuer's Affiliates, is a party pending, or, to the knowledge of the Issuer, threatened, before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality (A) asserting the invalidity of the Transaction Documents or any Receivable or any Contract, (B) seeking to prevent the issuance of any of the Notes or the consummation of any of the transactions contemplated by the Transaction Documents, or (C) seeking any determination or ruling that would adversely affect the performance by the Issuer of its obligations under, or the validity or enforceability of, the Transaction Documents or any Receivable or any Contract.

(f) *Approvals*. All approvals, authorizations, consents, orders or other actions of any Person, or of any court, governmental agency or body or official, required in connection with the execution and delivery of the Transaction Documents and with the valid and proper authorization, issuance and sale of the Notes pursuant to this Indenture (except that no such representation is made with respect to any necessary approvals of State securities officials under the Blue Sky Laws), have been or will be taken or obtained on or prior to the Closing Date.

(g) *Principal Office*. The Issuer's principal place of business and chief executive office is located at the Issuer Address.

(h) *Transfer and Assignment*. Upon the delivery by or on behalf of the Issuer to the Trustee of the Contracts and the filing of the financing statements described in Sections 4.01(a)(v) and 4.02(b), the Trustee, for the benefit of the Secured Parties, shall have a first priority perfected security interest in the Issuer's interest in the Contracts and Receivables and

the proceeds thereof and that portion of the Collateral in which a security interest may be perfected by possession or the filing of a financing statement, in each case, under the UCC, limited to the extent set forth in Section 9-315 of the UCC as in effect in the applicable jurisdiction; *provided* that none of the Servicer, the Transferor and the Issuer shall be required to file or record assignments of any UCC-1 financing statements or other lien recordings made against an Obligor. All filings (including UCC filings) as are necessary in any jurisdiction to perfect the security interest of the Trustee in the Collateral, including the transfer of the Contracts and any other payments to become due thereunder, have been made.

(i) *Owners of the Issuer*. LEAF Capital Funding, LLC owns one hundred percent (100%) of the Equity Interest in the Issuer, and such Equity Interest is duly authorized, validly issued, fully paid for and non-assessable by the Issuer.

(j) *Bulk Transfer Laws*. The transfer, assignment and conveyance of the Contract Assets by the Issuer pursuant to this Indenture are not subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction.

(k) *The Contract Assets*. The rights of the Issuer with respect to the representations and warranties that are made by the Transferor in the Purchase and Contribution Agreement and each Assignment Agreement and by the Servicer in the Servicing Agreement, as of each Acquisition Date have been assigned by the Issuer to the Trustee pursuant to the terms hereof, and the Issuer is not aware of any inaccuracy in any such representations and warranties except for such inaccuracies as have been provided in writing to the Trustee and the Class A Note Insurer.

(l) *Solvency*. The Issuer, both prior to and after giving effect to the transactions contemplated hereby, (i) is not "insolvent" (as such term is defined in §101(32)(A) of the Bankruptcy Code); (ii) is able to pay its debts as they become due; and (iii) does not have unreasonably small capital for the activities that it conducts or for any transaction(s) in which it is about to engage.

(m) *Investment Company*. The Issuer is not an "investment company" or a company controlled by an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or otherwise subject to any other federal or state statute or regulation limiting its ability to incur indebtedness. The Issuer, at all times, within the meaning of 17 C.F.R. 270.3a-7, (1) will have issued only the Notes and the membership interests issued to its managing member at its formation, and any other securities issued by the Issuer are "fixed income securities or other securities that depend primarily on the cash flow from eligible assets" and for which a trustee is appointed in compliance with 17 C.F.R. 270.3a-7(a)(4), (2) will sell its securities only to its affiliates, "qualified institutional buyers", or institutional accredited investors or will sell securities "rated, at the time of initial sale, in one of the four highest categories assigned long-term debt" by one of DBRS, Moody's, S & P or Fitch, (3) will either acquire or dispose of the Contracts only in accordance with and as permitted by the Purchase and Contribution Agreement, the Assignment Agreements, the Purchase and Sale Agreement, the Servicing Agreement, its limited liability company operating agreement and the Indenture only (a) in accordance with the agreements under which its securities are issued, (b) if a rating downgrade of any of its outstanding "fixed-income securities" does not result and (c) if such acquisition or disposition is not "for the primary purpose of recognizing gains or decreasing losses resulting from market value changes". The Issuer will not engage in any business other than that expressly permitted by the Transaction Documents and its limited liability company operating agreement.

(n) *Limited Activities*. Since its formation, the Issuer has conducted no activities other than the execution, delivery and performance of the Transaction Documents contemplated hereby, and such other activities as are incidental to the foregoing and otherwise permitted under Section 12.02(i). The Issuer has incurred no indebtedness nor engaged in any activities or transactions nor acquired any assets except as expressly contemplated hereunder and under the other Transaction Documents.

(o) *Taxes*. The Issuer has filed or caused to be filed all Federal, state and local tax returns which are required to be filed by it, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments, the validity of which are being contested in good faith by appropriate proceedings and with respect to which the Issuer or the Servicer on its behalf has set aside adequate reserves on its books in accordance with GAAP and which proceedings have not given rise to any Lien.

(p) *Lockbox Accounts*. The Issuer has no lockbox accounts or other bank accounts for the collection of the Contract Assets other than the Lockbox Account.

(q) *Accuracy of Information*. All certificates, reports, financial statements and similar writings furnished by or on behalf of the Issuer to the Trustee, the Class A Note Insurer or any Noteholder, at any time pursuant to any requirement of, or in response to any written request of any such party under, this Indenture or any other Transaction Document, have been, and all such certificates, reports, financial statements and similar writings hereafter furnished by the Issuer to such parties will be, true and accurate in every respect material to the transactions contemplated hereby on the date as of which any such certificate, report, financial statement or similar writing was or will be delivered, and shall not omit to state any material facts or any facts necessary to make the statements contained therein not materially misleading.

(r) *Rating Agency Perfection Requirements as to Collateral*.

(1) This Indenture creates a valid and continuing security interest (as defined in the UCC) in the Collateral in favor of the Trustee, which security interest is prior to all other Liens and is enforceable as such as against creditors of and purchasers from the Issuer. The Issuer owns and has good and marketable title to the Collateral (including the Collection Account, the Reserve Account, the Servicer Transition Account, the Prefunding Account and the Capitalized Interest Account and all amounts from time to time on deposit in the Lockbox Account with respect to the Contracts), free and clear of any Liens (except as otherwise provided in the Lockbox Intercreditor Agreement and the rights of Obligors to Security Deposits retained by the Issuer) (or the Servicer on its behalf).

(2) All of the Contracts included in the Collateral constitute "tangible chattel paper" or "instruments" within the meaning of the UCC. The Issuer has transferred to the Trustee the Contract Files, and, other than the stamp, if any, in favor of a prior lender that signed a Release Agreement related to a Contract, none of the tangible chattel paper in such Contract Files has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than in favor of the Issuer or the Trustee. The Equipment related to each Contract constitutes

either "equipment" for purposes of section 9-102(33) of the UCC or "inventory" for purposes of section 9-102(48) of the UCC; provided however, notwithstanding the foregoing, Contracts representing an amount less than or equal to 5.0% of the Discounted Pool Balance may relate to Equipment that does not constitute "equipment" for purposes of section 9-102(33) of the UCC or "inventory" for purposes of section 9-102(48) of the UCC.

(3) The Issuer has caused (and will instruct the Servicer to cause), the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest granted in the Collateral to the Trustee hereunder. Each such financing statement will contain a statement that a "purchase of, or security interest in, any collateral described in this financing statement will violate the rights of the Trustee."

(4) Each of the Reserve Account, the Collection Account, the Servicer Transition Account, the Prefunding Account and the Capitalized Interest Account constitutes a "securities account" within the meaning of the applicable UCC. As provided in Section 13.02(e), the securities intermediary for the Reserve Account, the Collection Account, the Servicer Transition Account, the Prefunding Account and the Capitalized Interest Account has agreed to treat all assets credited thereto as "financial assets" within the meaning of the UCC and the Issuer has taken all steps necessary to cause the securities intermediary to identify in its records the Trustee as the person having a security entitlement against the securities intermediary in the Reserve Account, the Collection Account, the Servicer Transition Account, the Prefunding Account and the Capitalized Interest Account. None of the Reserve Account, the Collection Account, the Servicer Transition Account, the Prefunding Account or the Capitalized Interest Account is in the name of any person other than the Trustee for the benefit of the Secured Parties. The Issuer has not permitted the securities intermediary of the Reserve Account, the Collection Account, the Servicer Transition Account, the Prefunding Account or the Capitalized Interest Account to comply with entitlement orders of any person other than the Trustee. The Issuer has received all consents and approvals required in connection with the Grant to the Trustee of its interest and rights in the Reserve Account, the Collection Account, the Servicer Transition Account, the Prefunding Account and the Capitalized Interest Account.

(5) The Lockbox Account constitutes a "deposit account" within the meaning of the applicable UCC. The Issuer has delivered, or has caused the Servicer to deliver, to the Trustee, a fully executed Lockbox Intercreditor Agreement relating to the Lockbox Account, pursuant to which the Lockbox Bank has agreed to comply with all instructions by the Trustee, as securities intermediary thereunder, directing the disposition of funds in the Lockbox Account without further consent by the Issuer or the Servicer. The Issuer has not permitted any Lockbox Bank to comply with any instructions of any other Person regarding withdrawal of funds other than the Trustee and, to the extent permitted under the Transaction Documents, the Servicer. The Lockbox Account is not in the name of any person other than the Issuer, the Trustee or the Lockbox Bank, as securities intermediary under the Lockbox Intercreditor Agreement.

(6) Other than the security interest granted to the Trustee pursuant to this Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer, the Transferor or any Originator that include a description of collateral that includes the Collateral other than any financing statement (x) relating to the security interest granted to the Trustee under this Indenture or (y) that has been terminated or released. The Issuer is not aware of any judgment, ERISA or tax lien filings against the Issuer or the Transferor.

(7) Notwithstanding any other provision of this Indenture or any other Transaction Document, the representations contained in this Section 12.01(r) shall be continuing and remain in full force and effect, without waiver, until the date on which the Notes have been paid in full, all amounts owed to the Class A Note Insurer have been paid in full, the Insurance Agreement has been terminated and the Class A Insurance Policy has been returned to the Class A Note Insurer for cancellation.

(8) At all times, all Collateral will consist of property in which a security interest may be created and attach under the UCC.

(9) On or prior to each Acquisition Date hereunder, the Issuer shall take all steps required under applicable law in order to grant to the Trustee a first priority perfected security interest in the Conveyed Assets related thereto being sold to the Issuer on such Acquisition Date (provided that the foregoing shall not require the Issuer to file any financing statements against any Obligor with respect to Equipment which had an original purchase price of less than (x) $25,000 in a secured loan or finance lease that provides for a $1 purchase option or (y) $50,000 in a Contract that provides for a "fair market" purchase option) and, from time to time thereafter, the Issuer shall take all such actions as may be required by applicable law (or deemed desirable by the Trustee) to fully preserve, maintain and protect the Issuer's ownership interest in, and the Trustee's first priority perfected security interest in, the Conveyed Assets related thereto (provided that the foregoing shall not require the Issuer to file any financing statements against any Obligor with respect to Equipment which had an original purchase price of less than (x) $25,000 in a secured loan or finance lease that provides for a $1 purchase option or (y) $50,000 in a Contract that provides for a "fair market" purchase option) which have been sold to the Issuer on such Acquisition Date.

(10) No creditor of the Issuer, other than the Trustee and each respective Obligor, has in its possession any equipment or inventory that comprise part of the Collateral.

(s) *Existing Contracts*. As to each Initial Contract and the related Contract Assets, as of the Closing Date: (i) the information set forth in the Contract Schedule with respect to such Contract is true and correct; (ii) except as otherwise described on an Exception Report delivered in connection with the acquisition of such Contract, (A) immediately prior to such Contract's

Acquisition Date, the Servicer (or a custodian designated to hold such Contracts on the Servicer's behalf) had possession of the related Contract Files; (B) each of such documents required to be signed by the Obligor was signed by the Obligor in the appropriate spaces; and (C) the complete Contract File for such Contract was delivered to the Custodian; and (iv) as of the date that such Contract was acquired, the Servicer used no selection procedures that identified the Contracts or other Contract Assets being acquired on such date as being less desirable or valuable than other comparable equipment leases or loans owned by the Transferor.

*Section 12.02* *Covenants*. The Issuer hereby makes the following covenants for the benefit of the Secured Parties and on which the Trustee relies in accepting the Collateral in trust and in authenticating the Notes and the Class A Note Insurer relies in issuing the Class A Insurance Policy.

(a) *No Liens*. Except for the conveyances and grant of security interests hereunder, the Issuer will not sell, pledge, assign, convey, dispose of or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien on any Collateral now existing or hereafter created, or any interest therein prior to the termination of this Indenture pursuant to Section 5.01; the Issuer will notify the Trustee in writing of the existence of any Lien on any of the Collateral immediately upon discovery thereof; the Issuer shall promptly discharge (or cause to be discharged) any Lien (other than Permitted Liens) on the Collateral; and the Issuer shall defend the right, title and interest of the Trustee in, to and under the Collateral now existing or hereafter created, against all claims of third parties claiming through or under the Issuer; *provided* that nothing in this Section 12.02(a) shall prevent or be deemed to prohibit the Issuer from suffering to exist upon any of the Equipment any Liens for municipal or other local taxes and other governmental charges due from the Issuer if such taxes or governmental charges shall not at the time be due and payable or, if the Issuer shall currently be contesting the validity thereof in good faith by appropriate proceedings, nonpayment of such taxes or charges shall not pose any risk of forfeiture of such Equipment, and the aggregate amount at dispute shall not be greater than $50,000.00, unless the Control Party otherwise approves.

(b) *Obligations with Respect to the Contract Assets*. The Issuer will do nothing to impair the rights of the Trustee (for the benefit of the Secured Parties) in the Collateral. In addition, to the extent the Issuer actually receives any Collections, it shall deposit or cause to be deposited in the Collection Account within two (2) Business Days of receipt and identification thereof the amount of such Collections in accordance with Section 13.03 and will hold such monies in trust for the Trustee until so deposited. The Issuer agrees to take all such lawful action as the Trustee or the Control Party may request to compel or secure the performance and observance by the Transferor and the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Purchase and Contribution Agreement, the Assignment Agreements, the Purchase and Sale Agreement and the Servicing Agreement in accordance with the terms thereof, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with such Transaction Documents to the extent and in the manner directed by the Trustee or the Control Party, as applicable, including the transmission of notices of default thereunder and the institution of legal or administrative actions or proceedings to compel or secure performance by the Transferor or the Servicer of each of their obligations thereunder.

(c) *Notice of Default, Etc*. The Issuer will deliver to the Trustee, the Class A Note Insurer and each Holder of Outstanding Notes immediately upon becoming aware of the existence of any condition or event that constitutes a Default, an Event of Default or an Event of Servicing Termination, a written notice describing its nature and period of existence and what action is being taken or proposed to be taken with respect thereto.

(d) *Compliance with Law*. The Issuer will comply, in all material respects, with all acts, rules, regulations, orders, decrees and directions of any Governmental Authority applicable to it or the Collateral or any part thereof or necessary for it to perform its responsibilities hereunder and under the other Transaction Documents; *provided* that the Issuer may contest any act, regulation, order, decree or direction in good faith and in any reasonable manner which shall not adversely affect the rights of the Trustee (for the benefit of the Secured Parties) in the Collateral.

(e) *Preservation of Security Interest*. The Issuer shall execute and file such documents requested of it which may be required by law to fully preserve and protect the first priority security interest of the Trustee (for the benefit of the Secured Parties) in the Collateral.

(f) *Maintenance of Office, Etc*. The Issuer will not, without providing thirty (30) days' prior written notice to the Trustee and the Class A Note Insurer and without filing such amendments to any previously filed financing statements as the Trustee or the Class A Note Insurer may require or as may be required in order to maintain the Trustee's perfected security interest in the Collateral (for the benefit of the Secured Parties), (a) change its jurisdiction of organization or the location of its principal place of business, or (b) change its name, identity or corporate structure in any manner that would make any financing statement or continuation statement filed by the Issuer in accordance with this Indenture seriously misleading within the meaning of Section 9-506 of any applicable enactment of the UCC.

(g) *Further Assurances*. The Issuer will make, execute or endorse, acknowledge, and file or deliver to the Trustee and the Control Party from time to time such schedules, confirmatory assignments, conveyances, transfer endorsements, powers of attorney, certificates, reports, UCC financing statements, and other assurances or instruments and take such further steps relating to the Collateral, as the Trustee or the Class A Note Insurer may reasonably request and reasonably require in connection with the transactions the subject of the Transaction Documents, except that UCC financing statements are not required to have been filed against the related Obligor for any Equipment related to any Contract that had an original equipment cost at origination of less than (A) if such Contract is a or secured loan or finance lease that provides for a $1 purchase option, $25,000, or (B) if such Contract provides for a "fair market value" purchase option, $50,000.

(h) *Notice of Liens*. The Issuer shall notify the Trustee and the Class A Note Insurer in writing immediately after becoming aware of any Lien on any portion of the Collateral, except for any Liens on Equipment for municipal or other local taxes due from the Issuer if such taxes shall not at the time be due or payable without penalty or, provided the same are Permitted Liens, if the Issuer shall currently be contesting the validity thereof in good faith by appropriate proceedings, such nonpayment shall not pose any risk of forfeiture of such Collateral and the Issuer shall have set aside on its books adequate reserves with respect thereto.

(i) *Separateness Covenants*. The Issuer shall respect and appropriately document the separate and independent nature of its activities, as compared with those of any other Person, take all reasonable steps to continue its identity as a separate legal entity, and make it apparent to Persons that the Issuer is an entity with assets and liabilities distinct from those of any other Person. Without limiting the foregoing, and notwithstanding anything to the contrary contained in this Indenture, the Issuer (i) shall (A) maintain its books and records separate from the books and records of any other entity, (B) maintain separate bank accounts and no funds of the Issuer shall be commingled with funds of any other entity except as otherwise permitted in the Lockbox Intercreditor Agreement, (C) keep in full effect its existence, rights, privileges, licenses and franchises as a limited liability company under the laws of Delaware, (D) cause its officers to act independently and in its interests, (E) cause its managing member to duly authorize all of its limited liability company actions, (F) cause it to have an independent director or manager as set forth in Section 12.01(j), (G) observe all company procedures required by its organizational documents and applicable laws; and (ii) shall not (A) dissolve or liquidate in whole or in part, (B) own any subsidiary or lend or advance any moneys to, or make an investment in, any Person, (C) except as provided in the Transaction Documents, incur any debt in connection with or make any capital expenditures, (D)(1) commence any case, proceeding or other action under any existing or future bankruptcy, insolvency or similar law seeking to have an order for relief entered with respect to it, or seeking reorganization, arrangement, adjustment, wind-up, liquidation, dissolution, composition or other relief with respect to it or its debts, (2) seek appointment of a receiver, trustee, custodian or other similar official for it or any part of its assets, (3) make a general assignment for the benefit of creditors, or (4) take any action in furtherance of, or consenting or acquiescing in, any of the foregoing, (E) make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or its capability of doing so, or otherwise), endorse or otherwise become contingently liable (directly or indirectly) for the obligations of, or own or purchase any stock, obligations or securities of or any other interest in, or make any capital contribution to, any other Person, (F) merge or consolidate with any other Person, (G) engage in any other action that detracts from whether the separate legal identity of the Issuer will be respected, including (1) holding itself out as or permitting itself to be held out as being liable for the debts of any other Person or (2) acting other than in its name and through its duly authorized officers or agents, (H) create, incur, assume, or in any manner become liable in respect of any indebtedness other than the Notes, expenses associated with the Closing Date, trade payables and expense accruals incurred in the ordinary course of business which are incidental to its permitted activities, and as provided in or under the Transaction Documents, (I) sponsor or contribute, or contract to or incur any other obligation to contribute to any Plans, or (J) enter into or become party to any agreements or instruments other than the Transaction Documents or any documents or instruments executed pursuant thereto and in connection therewith. The Issuer will not hold itself out, or permit itself to be held out, as having agreed to pay or as being liable for the debts of the Transferor and the Issuer will not engage in any transactions with the Transferor, except as expressly contemplated by the Transaction Documents and on an arm's-length basis. The Issuer will not hold the Transferor out to third parties as other than an entity with assets and liabilities distinct from the Issuer. The Issuer will not act in any other manner that could foreseeably mislead others with respect to the Issuer's separate identity.

Failure of the Issuer or the Transferor on behalf of the Issuer to comply with any of the foregoing covenants shall not affect the status of the Issuer as a separate legal entity or the limited liability of the Transferor. So long as any Notes remain Outstanding or any other amounts are owed under the Transaction Documents, the Issuer shall not amend its organizational documents without the prior written consent of the Control Party and, if any Class A Obligations remain outstanding, the Class A Note Insurer and prior written notice to each Rating Agency and the Trustee. The Issuer shall not make any investment in any Person through the direct or indirect holding of securities or otherwise other than in Eligible Investments. The Issuer shall not declare or pay any dividends, except out of funds released to it under Section 13.03. The Issuer will not have any of its indebtedness guaranteed by the Transferor or any Affiliate of the Transferor. The Issuer will cause any financial statements consolidated with those of the Transferor to state that the Issuer is a separate entity with its own separate creditors who, in any liquidation of the Issuer, will be entitled to be satisfied out of the Issuer's assets prior to any value in the Issuer becoming available to the Issuer's equity holders. Without the prior written consent of the Control Party, the Issuer will not, nor will it permit or allow others to, amend, modify, terminate or waive any provision of any Contract Assets, except to the extent otherwise expressly permissible under the Transaction Documents. Notwithstanding the foregoing, the Servicer may, without the prior written consent of the Control Party, waive any assumption fees, late payment charges, charges for checks returned for insufficient funds, or other fees which may be collected in the ordinary course of servicing the Contracts. The Issuer shall take such actions as the Trustee (at the direction of the Control Party) shall request to enforce the Issuer's rights under the Contracts, and, at any time during which a Default shall have occurred and be continuing, shall take such actions as are necessary to enable the Trustee (at the direction of the Control Party) to exercise such rights in the Trustee's own name. On or before June 15 of each year, so long as any of the Notes are Outstanding, the Issuer shall furnish to the Trustee and each Noteholder, an Officer's Certificate confirming that the Issuer is in compliance with its obligations under this Section 12.02(i).

(j) *Directors*. The Issuer agrees that at all times, at least one (1) of the directors of the Issuer will be professional directors that are not, and have not been, a director, shareholder, officer or employee of any direct or ultimate parent or Affiliate of the Transferor; *provided* that an independent director or independent officer may serve in similar capacities for other "special purpose entities" formed by the Transferor and its Affiliates and that otherwise satisfy the criteria set forth for such directors in the Insurance Agreement.

(k) *Treatment for Tax Purposes*. The Issuer shall treat the Notes as indebtedness of the Issuer and the Collateral as assets owned by the Issuer for purposes of all federal, state and local income taxes, unless and until otherwise required by an applicable taxing authority.

(l) *Information Regarding the Issuer*. The Issuer shall, on the written request of the Trustee or the Control Party, on reasonable notice, furnish to the Trustee, the Class A Note Insurer and the Noteholders the books and records of the Issuer maintained pursuant to its limited liability company agreement and any and all other information maintained or held by the Issuer regarding the Issuer or the Collateral.

(m) *Preservation of the Contract Assets*. The Issuer shall not assign, sell, pledge, or exchange, or in any way encumber or permit the encumbrance of, or otherwise dispose of, the Contract Assets except as expressly permitted under the Transaction Documents to which it is a party.

(n) *Enforcement of Transaction Documents*. Upon request, the Issuer will cooperate with the taking of all actions necessary, and the diligent pursuit of all remedies available to it, in all cases to the extent commercially reasonable, to allow the Control Party and the Trustee in the name of the Issuer to enforce all obligations of the Transferor and the Servicer owing to the Issuer under the Transaction Documents to which such Persons are a party and to secure its rights thereunder.

(o) *Issuer May Not Merge, etc*. The Issuer shall not merge with or into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person.

(p) *[Reserved.]*

(q) *Use of Proceeds*. The proceeds from the sale of the Notes may be used by the Issuer solely to pay to or on behalf of the applicable assignor, the Purchase Price owed to it in accordance with the Assignment Agreement for the purchase of Contract Assets, and to pay expenses owed to the Noteholders, the Trustee, the Custodian, the Servicer, the Class A Note Insurer and the Back-up Servicer related thereto or otherwise associated with the issuance of the Notes. None of the transactions contemplated in this Indenture (including the use of the proceeds from the sale of the Notes) will result in a violation of Section 7 of the Securities and Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including Regulations T, U and X of the Board of Governors of the Federal Reserve System. The Issuer does not own or intend to, and none of the proceeds from the Notes will be used to, carry or purchase any margin securities originally issued by it or any "margin stock" within the meaning of said Regulation U.

(r) *Indemnification*. The Issuer shall indemnify and hold harmless the Noteholders and the Class A Note Insurer from and against any loss, liability, expense, damage or injury sustained or suffered by them by reason of any acts, omissions or alleged acts or omissions (i) by the Issuer in the performance of its obligations under the Transaction Documents (including any violation of any applicable laws by the Issuer as a result of the transactions contemplated by this Indenture) to which it is a party, or (ii) arising out of the activities of any of them with respect to the Collateral, including enforcement of rights and remedies against the Issuer under the Transaction Documents to which it is a party and any judgment, award, settlement, reasonable attorneys' fees and other expenses reasonably incurred in connection with the defense of any actual or threatened action, proceeding or claim; *provided* that the Issuer shall not indemnify the Noteholders or the Class A Note Insurer if such loss, liability, expense, damage or injury is due to such Person's gross negligence, willful misconduct, willful misfeasance or bad faith in the performance of its rights or duties hereunder. Any indemnification pursuant to this Section shall only be payable, subject to the priority of payments in Section 13.03, from the assets of the Issuer released from the Collateral except as otherwise expressly provided in the Transaction Documents. The provisions of this indemnity shall survive the termination of this Indenture.

(s) *Taxes*. The Issuer shall pay and discharge all taxes and governmental charges upon it or against any of its properties or assets or its income prior to the date after which penalties attach for failure to pay, except (a) to the extent that the Issuer shall be contesting in good faith in appropriate proceedings its obligation to pay such taxes or charges, and adequate reserves having been set aside for the payment thereof and no Lien has been created on any of its assets in connection therewith, or (b) with respect to such taxes and charges which are not material in either nature or amount such that any failure to pay or discharge them, and any resulting penalties, either in any one instance or in the aggregate, would not materially and adversely affect the financial condition, operations, activities or prospects of the Issuer or the interests of each Noteholder and/or the Class A Note Insurer under this Indenture, a Note or any other Transaction Document, and no Lien has been created on any of the Issuer's assets in connection therewith.

(t) *No Adverse Transactions*. The Issuer shall not enter into any transaction which adversely affects the Collateral or any Secured Party's rights under this Indenture, a Note or any other Transaction Document.

(u) *Transactions by Issuer*. None of the Noteholders or the Class A Note Insurer shall have any obligation to authorize the Issuer to, and the Issuer shall not (without the prior written consent of the Control Party), enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Person (including, without limitation any Affiliate, any shareholder, director, manager, officer or employee (or any relative thereof) of the Issuer or any such Affiliate) unless such transaction is (a) expressly permitted under this Indenture or any other Transaction Document, (b) in the ordinary course of conducting the Issuer's permitted activities and (c) upon fair and reasonable terms no less favorable to the Issuer than it would obtain in a comparable arm's-length transaction.

(v) *Further Limitations on Actions*. The Issuer shall not do any of the following without the consent of the Control Party: (i) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of the Issuer's membership interests, except in connection with employment or similar agreements with officers and directors of the Issuer, or (ii) make any change in the Issuer's capital structure (except for permitted redemptions or prepayments of the Notes hereunder), or (iii) make any material change in any of its objectives, purposes or operations.

(w) *Rule 144A Information*. With respect to the Holder of any Note, the Issuer shall promptly furnish or cause to be furnished to such Holder or to a prospective purchaser of such Note designated by such Holder, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act ("*Rule 144A Information*") in order to permit compliance by such Holder with Rule 144A in connection with the resale of such Note by such Holder; *provided, however*, that the Issuer shall not be required to furnish Rule 144A Information in connection with any request made on or after the date which is three years from the later of (a) the date such Note (or any predecessor Note) was acquired from the Issuer or (b) the date such Note (or any predecessor Note) was last acquired from an "*affiliate*" of the Issuer within the meaning of Rule 144 under the Securities Act; and *provided, further*, that the Issuer shall not be required to furnish such information at any time to a prospective purchaser located outside the United States who is not a U.S. Person.

## ARTICLE XIII
## ACCOUNTS AND ACCOUNTINGS

*Section 13.01* *Collection of Money*. Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Trustee pursuant to this Indenture. The Trustee shall, upon request from the Servicer, provide the Servicer with sufficient information regarding the amount of collections with respect to the Contract Assets and the other Collateral received by the Trustee in any accounts held in the name of the Trustee to permit the Servicer to perform its duties under the Servicing Agreement. The Trustee shall hold all such money and property so received by it as part of the Collateral and shall apply it as provided in this Indenture. If any Contract becomes a Defaulted Contract, the Trustee, upon the request of the Issuer or the Servicer, may, and upon the request of the Control Party shall, take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to deem a Contract a "Defaulted Contract" for purposes of the Transaction Documents and to claim a Default or Event of Default under this Indenture and to proceed thereafter as provided in Article VI.

*Section 13.02* *Establishment of Trust Accounts*. ii) Prior to the Closing Date, the Issuer established, and as of the Closing Date the Issuer maintains, with the Trustee (i) a segregated, trust account (the "*Reserve Account*") for the deposit and retention of amounts required to be maintained therein; (ii) a segregated, trust account (the *"Collection Account"*) for the receipt and/or retention (as applicable) of (A) Collections, (B) Servicer Advances, (C) any interest or other earnings earned on all or part of the funds in the Collection Account or on any other Collateral and any other amounts, if any, remitted by the Issuer pursuant to Section 13.02(d), (D) amounts received in accordance with Section 11.02(b) or (c) in connection with a redemption of Outstanding Notes in accordance with Article XI, (E) amounts transferred from the Reserve Account or the Servicer Transition Account in accordance with the terms of this Indenture and (F) amounts transferred from the Lockbox Account in accordance with the Servicing Agreement, (iii) a segregated trust account (the "*Servicer Transition Account*") for the deposit and retention of amounts required to be maintained therein, (iv) a segregated trust account (the "*Prefunding Account*") for the deposit and retention of amounts required to be maintained therein and (v) a segregated trust account (the "*Capitalized Interest Account*") for the deposit and retention of amounts required to be maintained therein. The Collection Account, the Reserve Account, the Servicer Transition Account, the Prefunding Account and the Capitalized Interest Account are collectively referred to as the "*Trust Accounts*."

(b) The Trust Accounts shall be in the name of the Trustee on behalf of the Noteholders and the Class A Note Insurer at the Corporate Trust Office, which shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of the Secured Parties. Funds in each Trust Account shall not be commingled with any other monies. The Trustee shall ensure that the Trust Accounts are at all times Eligible Accounts. All payments to be made from time to time by the Issuer to the Noteholders and other Persons out of funds in any Trust Account pursuant to this Indenture shall be made by the Trustee or the Paying Agent. All monies deposited from time to time in the Trust Accounts pursuant to this Indenture shall be held by the Trustee as part of the Collateral as herein provided.

(c) Upon direction of the Servicer, the Trustee shall invest the funds in or credited to any or all of the Trust Accounts in Eligible Investments. The direction of the Servicer shall specify the Eligible Investments in which the Trustee shall invest, shall state that the same are Eligible Investments and shall further specify the percentage of funds to be invested in each Eligible Investment. No such Eligible Investment shall mature later than the Business Day preceding the next following Payment Date. In the absence of direction of the Servicer, the Trustee shall invest funds in the Trust Accounts in Eligible Investments described in clause (g) of the definition thereof. Eligible Investments for funds in or credited to the Trust Accounts shall be made in the name of the Trustee for the benefit of the Secured Parties.

(d) Any proceeds, payments, income or other gain from investments in Eligible Investments made in respect of funds in or credited to the Trust Accounts, as outlined in (c) above, shall be credited to the respective Trust Account from which such funds were derived. The Trustee shall not be liable for any loss incurred on any funds invested in Eligible Investments pursuant to the provisions of this Section (other than losses from nonpayment of investments in obligations of U.S. Bank National Association issued in its individual capacity). In no event shall the Trustee be liable for the selection of investments or for losses incurred as a result of the liquidation of any investment prior to its Stated Maturity Date or for the failure of any appropriate Person to provide timely written investment direction.

(e) Each party hereto agrees that each of the Trust Accounts constitutes a "securities account" within the meaning of Article 8 of the UCC and in such capacity U.S. Bank National Association shall be acting as a "securities intermediary" within the meaning of 8-102 of the UCC and that, regardless of any provision in any other agreement, for purposes of the UCC, the State of New York shall be deemed to be the "securities intermediary's jurisdiction" under Section 8-110 of the UCC. The Trustee shall be the "entitlement holder" within the meaning of Section 8-102(a)(7) of the UCC with respect to the Trust Accounts. In furtherance of the foregoing, U.S. Bank National Association, acting as a "securities intermediary," shall comply with "entitlement orders" within the meaning of Section 8-102(a)(8) of the UCC originated by the Trustee with respect to the Trust Accounts, without further consent by the Issuer. Each item of property (whether investment property, financial asset, security, instrument or cash) credited to each Trust Account shall be treated as a "financial asset" within the meaning of Section 8-102(a)(9) of the UCC. All securities or other property underlying any financial assets credited to each Trust Account shall be registered in the name of the Trustee or indorsed to the Trustee or in blank, and in no case will any financial asset credited to any Trust Account be registered in the name of the Issuer, payable to the order of the Issuer or specially indorsed to the Issuer except to the extent the foregoing have been specially indorsed to the Trustee or in blank. Any Eligible Investment consisting of "certificated securities," as defined in the applicable UCC will be evidenced directly or indirectly by physical certificates and each such certificated security (i) will be delivered and held in its direct physical possession by the Securities Intermediary in the State of Minnesota and (ii) (x) is registered in the name of the Securities Intermediary or (y) has been appropriately assigned thereon, or is accompanied by a bond power and/or assignment appropriately executed, in blank or to the Securities Intermediary, and is

accompanied by any other documents required by the documents governing such security to effect the transfer of the registration thereof to the Securities Intermediary. The Trust Accounts shall be under the sole dominion and control (as defined in Section 8-106 of the UCC) of the Trustee, and the Issuer shall have no right to close, make withdrawals from, or give disbursement directions with respect to, or receive distributions from, (A) the Collection Account or the Reserve Account, except in accordance with Section 13.03, (B) with respect to the Servicer Transition Account, except in accordance with Section 13.05 and (C) with respect to the Prefunding Account and the Capitalized Interest Account, except in accordance with Sections 13.06 and 13.07, respectively.

(f) In the event that U.S. Bank National Association, as securities intermediary, has or subsequently obtains by agreement, by operation of law or otherwise a security interest in the Trust Accounts or any security entitlement credited thereto, it hereby agrees that such security interest shall be subordinate to the security interest created by this Indenture and that the Trustee's rights to the funds on deposit therein shall be subject to Section 13.03. The financial assets credited to, and other items deposited to the Trust Accounts will not be subject to deduction, set-off, banker's lien, or any other right in favor of any person other than as created pursuant to this Indenture.

*Section 13.03* *Collection Account*. (a) Except as otherwise expressly provided herein, all amounts received by the Issuer other than (i) proceeds of the sale of the Notes to the Initial Purchaser, (ii) the Initial Required Reserve Account Deposit deposited in the Reserve Account, (iii) amounts deposited in the Servicer Transition Account, the Prefunding Account, or the Capitalized Interest Account or (iv) amounts erroneously credited to the Issuer for which the Control Party has provided its prior consent to the application thereof, shall be deposited in the Collection Account until applied, together with funds from the Reserve Account and Servicer Transition Account in accordance with this Section 13.03.

(b) By no later than 1:00 p.m. (New York time) on each Payment Date, after making all transfers and deposits to the Collection Account pursuant to Section 13.03, Section 13.04(b) and Section 13.05, the Trustee shall withdraw from the Collection Account all Available Funds with respect to the related Collection Period and shall disburse such Available Funds in accordance with the related Monthly Servicing Report; *provided* that, if the Trustee shall not have received the Monthly Servicing Report, (x) the Trustee shall withdraw from the Collection Account amounts verified in writing by the Servicer as needed to pay *first*, all accrued and unpaid fees and properly invoiced costs and expenses of each of the Transferor, Servicer, Class A Note Insurer, Back-up Servicer, Trustee and Custodian, *second*, amounts in accordance with the priorities set forth in Section 13.03(c)(v) through 13.03(c)(xvii) or Section 13.03(d)(v) through 13.03(d)(xviii), as applicable, and *third*, to the extent known by the Trustee, amounts in accordance with the priorities set forth in Section 13.03(c)(xiii) through 13.03(c)(xix), and to the extent not already paid according to the first part of this clause (x), (y) the Trustee shall distribute such funds in order to make such payments to the appropriate Persons and (z) upon subsequent receipt of the Monthly Servicing Report, or such other information as may be required by the Trustee, the Trustee shall pay each such other amounts set forth below, all as set forth in the Monthly Servicing Report or in such other information delivered to the Trustee; *provided, further*, that amounts deposited in the Collection Account in accordance with Section 11.02(b) or (c) shall be disbursed in accordance with Section 11.04 and not this Section 13.03;

(c) On each Payment Date, so long as no Event of Default or Cumulative Net Loss Trigger Event has occurred and is continuing, the Trustee shall (subject to the provisions of Section 13.04, 13.06 and 13.07 and Section 11.01(a) with respect to any such funds constituting Available Funds released from the Reserve Account, the Prefunding Account and/or the Capitalized Interest Account) make the following payments from the Available Funds then on deposit in the Collection Account (after required deposits therein from the Reserve Account and the Servicer Transition Account) in the following order of priority (to the extent funds are available therefor):

(i) to the Servicer, any unreimbursed Servicer Advances;

(ii) to the Servicer, the Servicer Fee (including any accrued and unpaid amounts owing to a predecessor Servicer) then due to such person, together with any accrued and unpaid Servicer Fees owed to such person from prior Collection Periods;

(iii) (a) to the Servicer, any Servicing Charges and (b) to the Servicer (including any accrued and unpaid amounts owing to a predecessor Servicer), any unreimbursed Collection Costs incurred by such person;

(iv) to the Trustee, the Custodian and the Back-up Servicer, the Trustee Fees and out-of-pocket expenses, Custodian Fees and out-of-pocket expenses and Back-up Servicer Fees and out-of-pocket expenses (which includes out-of-pocket expenses due to any successor Servicer) then due, together with any unpaid Trustee Fees and out-of-pocket expenses, Custodian Fees and out-of-pocket expenses and Back-up Servicer Fees and out-of-pocket expenses from prior Collection Periods (subject to certain limitations set forth herein), and, solely from funds from the Servicer Transition Account, any unpaid Transition Costs in an amount not to exceed in the aggregate $150,000;

(v) to the Class A Noteholders, *pro rata* among the Holders of the Class A-1A Notes, the Class A-1B Notes and the Class A-2 Notes, the total amount of Note Interest due and payable to such Classes of Notes;

(vi) to the Class A Note Insurer, any accrued and unpaid Class A Note Insurer Premium at the Base Premium Rate;

(vii) to the Class A Note Insurer, any Reimbursement Amounts then due and owing to the Class A Note Insurer in respect of Note Interest on the Class A Notes;

(viii) to the Class B Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(ix) to the Class C Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(x) to the Class D Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(xi) to the Class E-1 Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(xii) to the Class E-2 Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(xiii) to the Holders of the Class A Notes, the Principal Payment Amount (to the extent and up to the amount of the remaining Available Funds), sequentially, to the Holders of the Class A-1A Notes, in reduction of principal until the Outstanding Note Balance of the Class A-1A Notes has been reduced to zero, then, to the Holders of the Class A-1B Notes, in reduction of principal until the Outstanding Note Balance of the Class A-1B Notes has been reduced to zero, and then to the Holders of the Class A-2 Notes, in reduction of principal until the Outstanding Note Balance of the Class A-2 Notes has been reduced to zero;

(xiv) to the Class A Note Insurer, any other Reimbursement Amounts owing under the Insurance Agreement;

(xv) to the Holders of the Class B Notes, the amount equal to the Principal Payment Amount (to the extent and up to the amount of the remaining Available Funds) less the amount needed to reduce the Outstanding Note Balance of the Class A Notes to zero, in reduction of principal until the Outstanding Note Balance of the Class B Notes has been reduced to zero;

(xvi) to the Holders of the Class C Notes, the amount equal to the Principal Payment Amount (to the extent and up to the amount of the remaining Available Funds) less the amount needed to reduce the Outstanding Note Balance of each of the Class A Notes and the Class B Notes to zero, in reduction of principal until the Outstanding Note Balance of the Class C Notes has been reduced to zero;

(xvii) to the Holders of the Class D Notes, the amount equal to the Principal Payment Amount (to the extent and up to the amount of the remaining Available Funds) less the amount needed to reduce the Outstanding Note Balance of each of the Class A Notes, the Class B Notes, and the Class C Notes to zero, in reduction of principal until the Outstanding Note Balance of the Class D Notes has been reduced to zero;

(xviii) to the Holders of the Class E-1 Notes, the amount equal to the Principal Payment Amount (to the extent and up to the amount of the remaining Available Funds) less the amount needed to reduce the Outstanding Note Balance of each of the Class A Notes, the Class B Notes, the Class C Notes, and the Class D Notes to zero, in reduction of principal until the Outstanding Note Balance of the Class E-1 Notes has been reduced to zero;

(xix) to the Holders of the Class E-2 Notes, the amount equal to the Principal Payment Amount (to the extent and up to the amount of the remaining Available Funds) less the amount needed to reduce the Outstanding Note Balance of each of the Class A Notes, the Class B Notes, the Class C Notes, and the Class D Notes to zero, in reduction of principal until the Outstanding Note Balance of the Class E-2 Notes has been reduced to zero;

(xx) to the Trustee (on its own behalf and on behalf of the respective Noteholders), Securities Intermediary, Custodian and Back-up Servicer, any indemnification payments and other amounts owed by the Issuer;

(xxi) if the amount on deposit in the Reserve Account is less than the Target Required Reserve Account Amount, to the Reserve Account the lesser of any remaining Available Funds and that insufficiency; and

(xxii) to the Issuer, any remaining Available Funds; *provided, however,* if either the Cumulative Net Loss Percentage or the Three-Month Rolling Average Delinquency Ratio is greater than 75% of the then applicable cumulative net loss trigger level or the Three-Month Rolling Average Delinquency Trigger Level, respectively, then such excess amount shall not be released to the Issuer but shall be applied on such Payment Date to pay principal on the senior most outstanding Class of Notes.

(d) On each Payment Date, so long as an Event of Default or Cumulative Net Loss Trigger Event has occurred and is continuing, the Trustee shall make the following payments from the Available Funds then on deposit in the Collection Account (after required deposits therein from the Reserve Account and the Servicer Transition Account) in the following order of priority (to the extent funds are available therefor):

(i) to the Servicer, any unreimbursed Servicer Advances;

(ii) to the Servicer, the Servicer Fee (including any accrued and unpaid amounts owing to a predecessor Servicer) then due to such person, together with any accrued and unpaid Servicer Fees owed to such person from prior Collection Periods;

(iii) (a) to the Servicer, any Servicing Charges and (b) to the Servicer (including any accrued and unpaid amounts owing to a predecessor Servicer), any unreimbursed Collection Costs incurred by such person;

(iv) to the Trustee, the Custodian and the Back-up Servicer, the Trustee Fees and out-of-pocket expenses, Custodian Fees and out-of-pocket expenses and Back-up Servicer Fees and out-of-pocket expenses (which includes out-of-pocket expenses due to any successor Servicer) then due, together with any unpaid Trustee Fees and out-of-pocket expenses, Custodian Fees and out-of-pocket expenses and Back-up Servicer Fees and out-of-pocket expenses from prior Collection Periods (subject to certain limitations set forth herein), and, solely from funds from the Servicer Transition Account, any unpaid Transition Costs in an amount not to exceed in the aggregate $150,000;

(v) to the Class A Noteholders, *pro rata* among the Holders of the Class A-1A Notes, the Class A-1B Notes and the Class A-2 Notes, the total amount of Note Interest due and payable to such Classes of Notes;

(vi) to the Class A Note Insurer, any accrued and unpaid Class A Note Insurer Premium at the Base Premium Rate;

(vii) to the Class A Note Insurer, any Reimbursement Amounts then due and owing to the Class A Note Insurer in respect of Note Interest on the Class A Notes;

(viii) to the Class B Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(ix) to the Class C Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(x) to the Class D Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(xi) to the Class E-1 Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(xii) to the Class E-2 Noteholders, the total amount of Note Interest due and payable to such Class of Notes;

(xiii) to the Class A-1A Noteholders, in reduction of principal until the Outstanding Note Balance of the Class A-1A Notes has been reduced to zero;

(xiv) to the Class A-1B Noteholders, in reduction of principal until the Outstanding Note Balance of the Class A-1B Notes has been reduced to zero;

(xv) to the Class A-2 Noteholders, in reduction of principal until the Outstanding Note Balance of the Class A-2 Notes has been reduced to zero;

(xvi) to the Class A Note Insurer, any other Reimbursement Amounts owing under the Insurance Agreement;

(xvii) to the Class B Noteholders, in reduction of principal until the Outstanding Note Balance of the Class B Notes has been reduced to zero;

(xviii) to the Class C Noteholders, in reduction of principal until the Outstanding Note Balance of the Class C Notes has been reduced to zero;

(xix) to the Class D Noteholders, in reduction of principal until the Outstanding Note Balance of the Class D Notes has been reduced to zero;

(xx) to the Class E-1 Noteholders, in reduction or principal until the Outstanding Note Balance of the Class E-1 Notes has been reduced to zero;

(xxi) to the Class E-2 Noteholders, in reduction or principal until the Outstanding Note Balance of the Class E-2 Notes has been reduced to zero;

(xxii) to the Class A Note Insurer, the balance of any accrued and unpaid Class A Note Insurer Premium;

(xxiii) to the Trustee (on its own behalf and on behalf of the respective Noteholders), Securities Intermediary, Custodian and Back-up Servicer, any indemnification payments and other amounts owed by the Issuer; and

(xxiv) to the Issuer, any remaining Available Funds.

(e) On the related Redemption Date, the Trustee shall withdraw the sum of the applicable Redemption Price from the Collection Account, and the Paying Agent shall remit the Redemption Price to the applicable Noteholders in accordance with Section 11.04.

*Section 13.04* *Reserve Account.* (a) On the Closing Date, the Issuer shall deposit, or cause to be deposited, into the Reserve Account an amount equal to 1.50% of the Initial Discounted Pool Balance (the "*Initial Required Reserve Account Deposit*"). On each Acquisition Date on which an Additional Contract is purchased by the Issuer, the Issuer shall deposit, or cause to be deposited, into the Reserve Account an amount equal to 1.50% of the sum of (a) the related Discounted Contract Balances and (b) the discounted Residual Receipts (assuming (1) such Residual Receipts are received six months from the end of the related Contract term, (2) the collection rate for Residual Receipts is equal to 30% of the Issuer's related Booked Residual on the related residual payment date and (3) a discount rate of 5.00% *per annum*), into the Reserve Account (each such deposit, a "*Additional Required Reserve Account Deposit*"), subject to maximum aggregate reserve account deposits of $1,671,087.53. If on any Payment Date when Available Funds are to be paid in accordance with Section 13.03(c), the amount on deposit in the Reserve Account is less than the sum of the Initial Required Reserve Account Deposit and the aggregate Additional Required Reserve Account Deposits (that sum, the "*Target Required Reserve Account Amount*"), then all Available Funds remaining in the Collection Account, after payment of amounts pursuant to clauses (i) through (xx) of Section 13.03(c), up to the amount of that insufficiency, shall be deposited into the Reserve Account pursuant to Section 13.03(c)(xxi) before any Available Funds are released to the Issuer.

(b) If on any Payment Date, (i) amounts on deposit in the Collection Account are insufficient to reduce the Aggregate Outstanding Note Balance to an amount lower than or equal to the Discounted Pool Balance, plus amounts then on deposit in the Prefunding Account, after applying clauses (i) through (xix) of Section 13.03(c) or clauses (i) through (xxi) of Section 13.03(d), as applicable, (ii) (x) amounts on deposit in the Collection Account are insufficient to pay all Note Interest on the Class A Notes or (y) after the Class A Notes have been paid in full and the Class A Note Insurer Premium and all Reimbursement Amounts owed to the Class A Note Insurer have been repaid, amounts on deposit in the Collection Account are insufficient to pay Note Interest on any other Class of Notes or (iii) amounts on deposit in the Reserve Account are greater than or equal to the Aggregate Outstanding Note Balance, then the Trustee will withdraw from the Reserve Account, to the extent of funds on deposit in the Reserve Account, in the case of clauses (i) and (ii) above, the amount of such insufficiency or, in the case of clause (iii) above, all funds therein and deposit such withdrawn amounts into the Collection Account to be distributed to pay (in the case of clause (ii) above) Note Interest or (in the case of clauses (i) and (iii) above) to repay the Outstanding Note Balances in accordance with the order of priorities

set forth in Section 13.03(c) or Section 13.03(d), as applicable. In additional to the foregoing, if an Event of Default has occurred and is continuing, the Control Party will have the right to direct the Trustee to release amounts on deposit in the Reserve Account and to deposit those amounts into the Collection Account to be allocated as Available Funds. Upon the occurrence of any Event of Default that results in acceleration of the Notes and is not waived or cured on or before the next Payment Date, all funds maintained in the Reserve Account shall, if the Control Party so directs, be transferred to the Collection Account by the Trustee to be used as Available Funds in accordance with Section 13.03(d). On the latest Stated Maturity Date for any Class of Notes, and at the option of the Issuer in connection with the redemption pursuant to Article XI, any remaining funds on deposit in the Reserve Account shall be deposited in the Collection Account to be used as Available Funds and distributed in accordance with Section 13.03(c) or 13.03(d), as applicable.

*Section 13.05* *Servicer Transition Account*. v) On the Closing Date, the Issuer shall deposit, or cause to be deposited, into the Servicer Transition Account an amount equal to $150,000.

(b) On each Payment Date following the occurrence of an Event of Servicing Termination, the Trustee shall withdraw from the Servicer Transition Account an amount equal to the lesser of (i) the Transition Costs then due and (ii) the amount that is then credited to the Servicer Transition Account, and deposit such funds in the Collection Account for the payment of properly invoiced Transition Costs in accordance with Section 13.03(c) of Section 13.03(d), as applicable.

(c) On the latest Stated Maturity Date, and at the option of the Issuer in connection with the redemption pursuant to Article XI, any remaining funds on deposit in the Servicer Transition Account shall be deposited in the Collection Account and distributed in accordance with Section 13.03(c) or Section 13.03(d), as applicable.

*Section 13.06* *Prefunding Account*. On the Closing Date, $2,604,445.35 of the cash proceeds from the sale of the Notes will be deposited to the Prefunding Account. During the Prefunding Period, the Issuer is authorized to use amounts in the Prefunding Account to acquire Additional Contracts from the Transferor and the Transferor's interest in the related Equipment pursuant to the Purchase and Contribution Agreement, provided that (1) such Contracts are Eligible Contracts as of the related Acquisition Date (except as permitted pursuant to Section 4.04(a)), (2) no Event of Default or Cumulative Net Loss Trigger Event has occurred and is continuing, (3) the Overconcentration Test would be satisfied immediately after the Issuer acquires the proposed Additional Contracts on the related Acquisition Date, and (4) the Control Party has consented in writing to such acquisition. Upon the earlier of (a) the third Payment Date and (b) the occurrence of any Event of Default that results in acceleration of the Notes and is not waived or cured on or before the next Payment Date, all amounts on deposit in the Prefunding Account (after giving effect to any transfers of funds on deposit therein to the Reserve Account or to the Transferor in consideration for Additional Contracts in accordance with the terms hereof) will be withdrawn by the Trustee, to the extent of funds on deposit therein, and distributed to the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders, Class E-1 Noteholders and Class E-2 Noteholders, *pro rata* based upon their respective Outstanding Note Balances, in reduction of principal, and without regard to the priority of payments set forth in Section 13.03(c) or Section 13.03(d).

*Section 13.07* *Capitalized Interest Account*. On the Closing Date, $28,185.00 of the cash proceeds from the sale of the Notes will be deposited to the Capitalized Interest Account. On each of the first two Payment Dates, amounts from the Capitalized Interest Account shall be deposited into the Collection Account by the Trustee in an amount equal to accrued interest at 5.00% *per annum* (calculated on the basis of the actual number of days elapsed in a three-hundred-sixty (360)-day year) on the amount in the Prefunding Account on the Closing Date (for the calculation of capitalized interest due on the first Payment Date) and on the first Payment Date (for the calculation of capitalized interest due on the second Payment Date). After all of the funds in the Prefunding Account have been applied, any amounts in the Capitalized Interest Account that have not been deposited into the Collection Account shall be paid directly to the Issuer. Upon the earlier of (a) the third Payment Date and (b) the occurrence of any Event of Default that results in acceleration of the Notes and is not waived or cured on or before the next Payment Date, all amounts on deposit in the Capitalized Interest Account will be withdrawn by the Trustee, to the extent of funds on deposit therein, and distributed to the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders, Class E-1 Noteholders and Class E-2 Noteholders, pro rata based upon their respective Outstanding Note Balances, in reduction of principal, and without regard to the priority of payments set forth in Section 13.03(c) or Section 13.03(d).

*Section 13.08* *Reports to the Noteholders*. *(a)* On each Payment Date, the Trustee will make available to each Noteholder and the Class A Note Insurer the Monthly Servicing Report.

The Trustee will make the Monthly Servicing Report available to the Noteholders and the Class A Note Insurer, via the Trustee's Internet website, and, with the consent or at the direction of the Issuer, such other information regarding the Notes and/or the Contracts as the Trustee may have in its possession, including but not limited to the Transaction Documents, but only with the use of a password provided by the Trustee or its agent to such Person. The Trustee will make no representation or warranties as to the accuracy or completeness of such documents and will assume no responsibility for the contents thereof.

The Trustee's Internet website initially shall be located at www.usbank.com/abs or at such other address as shall be specified by the Trustee from time to time in writing to the Noteholders and the Class A Note Insurer. Noteholders with questions may direct them to the Trustee's bondholder services group at (800) 934-6802. In connection with providing access to the Trustee's Internet website, the Trustee may require registration and the acceptance of a disclaimer. The Trustee shall not be liable for errors in the dissemination of information in accordance with this Indenture.

Such reports will not constitute financial statements prepared in accordance with generally accepted accounting principles.

(b) At least annually, or as otherwise required by law, the Servicer shall prepare or cause to be prepared, and the Trustee shall distribute to the Noteholders and the Class A Note
Insurer, any 1099 form, or other tax information or statements as are required by applicable tax law.

*Section 13.09* *Monthly Servicing Reports*. No later than the close of business on each Reporting Date, the Servicer shall deliver the Monthly Servicing Report to the Trustee, the Back-up Servicer and each Rating Agency. No later than 12:00 noon (New York time) on the following Verification Date, the Back-up Servicer shall perform its obligations and duties set forth in Section 4.05 of the Servicing Agreement and shall notify the Issuer, the Trustee, the Noteholders and the Control Party of any discrepancies therein or the need for any additional information to complete such verification, and the Servicer shall promptly re-issue a revised Monthly Servicing Report addressing such discrepancies and such information request which revised Monthly Servicing Report shall supersede the prior report for purposes of making the distributions described in Section 13.03. The Monthly Servicing Report shall include the information specified in the form of Monthly Servicing Report attached to the Servicing Agreement, as such form may be modified from time to time with the consent of the Servicer, the Back-up Servicer, the Control Party.

## ARTICLE XIV
## PROVISIONS OF GENERAL APPLICATION

*Section 14.01* *General Provisions*. All of the provisions of this Article shall apply to this Indenture.

*Section 14.02* *Acts of Noteholders*.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 7.01) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Noteholder of any Note shall bind the Noteholder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 14.03 *Notices*. Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or the Control Party or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with any party hereto shall be sufficient for every purpose hereunder if in writing and faxed (with written confirmation of receipt), mailed by registered mail, overnight bonded courier or personally delivered, and addressed to the appropriate address below (or such other address as may be provided to the other parties and the Class A Note Insurer in writing from time to time) (the Class A Note Insurer shall be copied on all notices sent hereunder):

(a) to the Trustee at 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107, facsimile number 651-495-8090, Attention: LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, Series 2011-2;

(b) to the Custodian at 1133 Rankin Street, EP-MN-TMZD, St. Paul, MN 55116 facsimile number: 651-695-6102, Attention: LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, Series 2011-2;

(c) to the Servicer at 2005 Market Street, 14th Floor, Philadelphia, PA 19103, facsimile number: 215-640-6363, Attention: Miles Herman;

(d) to the Issuer at 110 S. Poplar Street, Suite 101, Wilmington, Delaware 19801, facsimile number: 215-640-6363, Attention: Miles Herman;

(e) to the Transferor at 110 S. Poplar Street, Suite 101, Wilmington, Delaware 19801, facsimile number: 215-640-6363, Attention: Miles Herman;

(f) to the Back-up Servicer at EP-MN-WS3D, 60 Livingston Avenue, St. Paul, Minnesota 55107, facsimile: (651) 495-8090, Attention: LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, Series 2011-2;

(g) to DBRS, Inc. at 140 Broadway, 35th Floor, New York, NY 10005, facsimile number: 212-806-3201, Attention: Chuck Weilamann, Re: LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, Series 2011-2;

(h) to Moody's, at Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, NY, 10007, Attention: Michael Labuskes, facsimile number: 212-298-6919; or

(i) To the Class A Note Insurer, at 31 West 52nd Street, New York, New York 10019, facsimile number: (212) 581-3268, confirmation number: (212) 974-0100, Attention: Risk Management Department, Re: LEAF Receivables Funding 7, LLC, Policy No. 93091.

*Section 14.04* *Notices to Noteholders; Waiver*. Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and faxed (with written confirmation of receipt from each addressee), mailed by registered mail, overnight bonded courier or delivered personally to each Noteholder affected by such event, at its address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case in which notice to Noteholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice which is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to the Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

*Section 14.05* *Successors and Assigns*. All covenants and agreements in this Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

*Section 14.06* *Severability; No Waiver*. Subject to clause (b) below, if any one or more of the covenants, agreements, provisions or terms of this Indenture shall be for any reason whatsoever held invalid, then such covenant(s), agreement(s), provision(s) or term(s) shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Indenture and shall in no way affect the validity or enforceability of the other provisions of this Indenture or of the Notes or the rights of the Noteholders thereof or the rights of the Class A Note Insurer.

Notwithstanding the foregoing, the parties hereto acknowledge and agree to and with each other (and also agree with and for the benefit of the Class A Note Insurer) that: (i) although the Insurance Agreement, the Servicing Agreement, this Indenture and the other Transaction Documents are separate documents, they are intended to be parts of an integrated transaction, (ii) this paragraph is fundamental to their understanding of this Indenture, (iii) the Class A Note Insurer would not have agreed to enter into the Insurance Agreement (without which the transactions contemplated by this Indenture would not have been entered into) without the benefit of and reliance upon all cross-default provisions contained herein and in any of the Transactions Documents contemplated hereby; (iv) the rights, privileges, obligations and liabilities of such parties and the Class A Note Insurer have been set forth in separate agreements for administrative convenience only and (v) it would be inequitable for any such party to enjoy the benefits of this Indenture without also meeting its obligations under all the Transaction Documents, whether such obligations are set forth in this Indenture or any other such Transaction Document.

*Section 14.07* *Benefits of Indenture Limited to Parties and Express Third Party Beneficiaries*. The Class A Note Insurer and its successors and assigns shall be an acknowledging party to the applicable provisions of this Indenture solely for the purposes of benefiting from the right to enforce any right, remedy or claim conferred, given or granted to it hereunder and not for

the purpose of assuming any obligation hereunder. To the extent that this Indenture confers upon or gives or grants to the Class A Note Insurer any right, remedy or claim under or by reason of this Indenture, the Class A Note Insurer may (but shall not be obligated to) enforce any such right, remedy or claim conferred, given or granted to it hereunder. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto, the Noteholders, the Class A Note Insurer and their respective successors and permitted assigns, any benefit or any legal or equitable right, remedy or claim under this Indenture.

*Section 14.08* *Legal Holidays*. In any case in which the date of any Payment Date, or the Stated Maturity Date of any Note shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment of principal or interest need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the nominal date of any such Stated Maturity Date or Payment Date.

*Section 14.09* *Governing Law; Waiver of Jury Trial; Consent to Jurisdiction*.

(a) This Indenture and each Note shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted hereunder are governed by the laws of a jurisdiction other than the State of New York. Section 5-1401 and Section 5-1402 of the New York General Obligations Law shall be applicable.

(b) The Issuer hereby agrees to the jurisdiction of any federal court located within the State of New York, and waives personal service of any and all process upon it and consents that all such service of process be made by registered mail directed to the Issuer at the address set forth in Section 14.03 hereof and service so made shall be deemed to be completed five (5) days after the same shall have been deposited in the U.S. mails, postage prepaid. With respect to the foregoing consent to jurisdiction, the Issuer hereby waives any objection based on *forum non conveniens*, and any objection to venue of any action instituted hereunder and consents to the granting of such legal or equitable relief as is deemed appropriate by the court.

(c) The Issuer hereby waives any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise among the parties hereto or otherwise arising out of, connected with, related to, or incidental to the relationship between them in connection with this Indenture. Instead, any dispute resolved in court will be resolved in a bench trial without a jury. Nothing in this Section 14.09 shall affect the right of the Trustee, the Control Party or any Noteholder to serve legal process in any other manner permitted by law or to bring any action or proceeding against the Issuer or its property in the courts of any other jurisdiction.

*Section 14.10* *Counterparts; Entire Agreement*. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery by fax of an executed counterpart of a signature page to this Indenture shall be as effective as delivery of the original executed counterpart. This Indenture, together with the exhibits hereto and the other written Transaction Documents referenced herein, sets forth the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings.

*Section 14.11* *Notifications*. Notwithstanding any provision to the contrary contained in this Indenture, all reports, notices, communications and consents which are required, by the terms of this Indenture, to be delivered by the Noteholders or the Class A Note Insurer, shall be required to be delivered to the Trustee in writing.

*Section 14.12* *No Petition*. During the term of this Indenture and for one year and one day after payment in full of all obligations of the Issuer under the Transaction Documents, none of the parties hereto or any Affiliate thereof, the Class A Note Insurer or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; *provided* that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder or the Class A Note Insurer from filing a proof of claim in any such proceeding. The provisions of this Section 14.12 shall survive the termination of this Indenture.

*Section 14.13* *Assignment*.

Notwithstanding anything to the contrary contained herein, this Indenture may not be assigned by the Issuer.

In Witness Whereof, the Issuer, the Trustee and the Custodian have caused this Indenture to be duly executed by their respective duly authorized officers as of the date and year first above written.

LEAF Receivables Funding 7, LLC,
as Issuer

By: _____
Name: _____

Title: _____

U.S. Bank National Association,
as Trustee

By: _____

Name: _____

Title: _____

U.S. Bank National Association,
as Custodian

By: _____

Name: _____

Title: _____

**SCHEDULE I**

**CLOSING DATE CONTRACT SCHEDULE**

**[**See attached.**]**

EXECUTION VERSION

EXHIBIT A-1
TO INDENTURE

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**GLOBAL CLASS A-1A NOTE**

[For Rule 144A Book-Entry Notes Only]

**UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("*DTC*"), TO THE TRANSFEROR OF SUCH NOTE (THE "*TRANSFEROR*") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR THE USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL**

**NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

[The remaining pages for this Class A-1A Note follow starting on the next page.
The remainder of this page is intentionally left blank.]

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS A-1A NOTE**

No. _____

Up to $15,000,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed FIFTEEN MILLION DOLLARS ($15,00,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class A-1A Note shall represent such of the Outstanding Class A-1A Notes as are specified herein, and represents the aggregate amount of Outstanding Class A-1A Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class A-1A Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class A-1A Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class A-1A Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual

Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class A-1A Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the last Business Day preceding such Payment Date.

This Class A-1A Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class A-1A Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person, except that certain payments on this Class A-1A Note are guaranteed, and are entitled to the benefits of, the financial guaranty insurance policy issued by Assured Guaranty Corp. (the "*Class A Note Insurer*"), pursuant to which the Class A Note Insurer has unconditionally guaranteed payment to the Class A-1A Noteholders of interest with respect to each Payment Date and of principal at its Stated Maturity Date, as more fully set forth in the Indenture and the Class A Insurance Policy. Neither the Class A-1A Notes nor the Contract Assets are insured by any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class A-1A Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class A-1A Note and any other Class A-1A Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Class A-1A Notes may be exchanged, and their transfer may be registered, by the Class A-1A Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class A-1A Notes. Upon exchange or registration of such transfer, a new registered Class A-1A Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class A-1A Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class A-1A Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
DEFINITIVE CLASS A-1A NOTE**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING AN OWNERSHIP INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT**

**SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**OWING TO THE PROVISIONS FOR THE PAYMENT OF PRINCIPAL CONTAINED HEREIN, THE OUTSTANDING NOTE BALANCE OF THIS NOTE MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANYONE PURCHASING THIS NOTE SHOULD CONFIRM THE OUTSTANDING NOTE BALANCE HEREOF BY INQUIRY OF THE TRUSTEE.**

[The remaining pages for this Class A-1A Note follow starting on the next page.
The remainder of this page is intentionally left blank.]

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS A-1A NOTE**

No. _____

Up to $15,000,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed FIFTEEN MILLION DOLLARS ($15,000,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class A-1A Note shall represent such of the Outstanding Class A-1A Notes as are specified herein, and represents the aggregate amount of Outstanding Class A-1A Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class A-1A Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class A-1A Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class A-1A Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual

Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class A-1A Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the close of business on the last Business Day of the month prior to such Payment Date.

This Class A-1A Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class A-1A Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person, , except that certain payments on this Class A-1A Note are guaranteed, and are entitled to the benefits of, the financial guaranty insurance policy issued by Assured Guaranty Corp. (the "*Class A Note Insurer*"), pursuant to which the Class A Note Insurer has unconditionally guaranteed payment to the Class A-1A Noteholders of interest with respect to each Payment Date and of principal at its Stated Maturity

Date, as more fully set forth in the Indenture and the Class A Insurance Policy. Neither the Class A-1A Notes nor the Contract Assets are insured by any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class A-1A Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class A-1A Note and any other Class A-1A Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The final payment on any Definitive Note shall be made only upon presentation and surrender of the Note at the Corporate Trust Office of the Trustee.

The Class A-1A Notes may be exchanged, and their transfer may be registered, by the Class A-1A Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class A-1A Notes. Upon exchange or registration of such transfer, a new registered Class A-1A Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class A-1A Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of

America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the

principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class A-1A Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**[FORM OF ASSIGNMENT]**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER
OF ASSIGNEE)

_____
_____

_____
(Please Print or Typewrite Name and Address of Assignee)

_____
the within Note, and all rights thereunder, and hereby does irrevocably constitute and appoint

_____,
as attorney, to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____

_____
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

EXHIBIT A-3
TO INDENTURE

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**GLOBAL CLASS A-1B NOTE**

[For Rule 144A Book-Entry Notes Only]

**UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("*DTC*"), TO THE TRANSFEROR OF SUCH NOTE (THE "*TRANSFEROR*") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR THE USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL**

**NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

[The remaining pages for this Class A-1B Note follow starting on the next page.
The remainder of this page is intentionally left blank.]

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS A-1B NOTE**

No. _____

Up to $5,000,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed FIVE MILLION DOLLARS ($5,000,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class A-1B Note shall represent such of the Outstanding Class A-1B Notes as are specified herein, and represents the aggregate amount of Outstanding Class A-1B Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class A-1B Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class A-1B Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class A-1B Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual

Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class A-1B Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the last Business Day preceding such Payment Date.

**THIS CLASS A-1B NOTE IS SUBORDINATE IN RIGHT OF PAYMENT OF PRINCIPAL TO THE CLASS A-1A NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class A-1B Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class A-1B Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person, except that certain payments on this Class A-1B Note are guaranteed, and are entitled to the benefits of, the financial guaranty insurance policy issued by Assured Guaranty Corp. (the "*Class A Note Insurer*"), pursuant to

which the Class A Note Insurer has unconditionally guaranteed payment to the Class A-1B Noteholders of interest with respect to each Payment Date and of principal at its Stated Maturity Date, as more fully set forth in the Indenture and the Class A Insurance Policy. Neither the Class A-1B Notes nor the Contract Assets are insured by any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class A-1B Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class A-1B Note and any other Class A-1B Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Class A-1B Notes may be exchanged, and their transfer may be registered, by the Class A-1B Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class A-1B Notes. Upon exchange or registration of such transfer, a new registered Class A-1B Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class A-1B Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument

of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class A-1B Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
DEFINITIVE CLASS A-1B NOTE**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING AN OWNERSHIP INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT**

**SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**OWING TO THE PROVISIONS FOR THE PAYMENT OF PRINCIPAL CONTAINED HEREIN, THE OUTSTANDING NOTE BALANCE OF THIS NOTE MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANYONE PURCHASING THIS NOTE SHOULD CONFIRM THE OUTSTANDING NOTE BALANCE HEREOF BY INQUIRY OF THE TRUSTEE.**

[The remaining pages for this Class A-1B Note follow starting on the next page.
The remainder of this page is intentionally left blank.]

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS A-1B NOTE**

No. _____

Up to $5,000,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed FIVE MILLION DOLLARS ($5,000,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class A-1B Note shall represent such of the Outstanding Class A-1B Notes as are specified herein, and represents the aggregate amount of Outstanding Class A-1B Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class A-1B Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class A-1B Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class A-1B Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual

Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class A-1B Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the close of business on the last Business Day of the month prior to such Payment Date.

**THIS CLASS A-1B NOTE IS SUBORDINATE IN RIGHT OF PAYMENT OF PRINCIPAL TO THE CLASS A-1A NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class A-1B Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class A-1B Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person, , except that certain payments on this Class A-1B Note are guaranteed, and are entitled to the benefits of, the financial guaranty

insurance policy issued by Assured Guaranty Corp. (the "*Class A Note Insurer*"), pursuant to which the Class A Note Insurer has unconditionally guaranteed payment to the Class A-1B Noteholders of interest with respect to each Payment Date and of principal at its Stated Maturity Date, as more fully set forth in the Indenture and the Class A Insurance Policy. Neither the Class A-1B Notes nor the Contract Assets are insured by any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class A-1B Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class A-1B Note and any other Class A-1B Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The final payment on any Definitive Note shall be made only upon presentation and surrender of the Note at the Corporate Trust Office of the Trustee.

The Class A-1B Notes may be exchanged, and their transfer may be registered, by the Class A-1B Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class A-1B Notes. Upon exchange or registration of such transfer, a new registered Class A-1B Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class A-1B Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted hereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By:
Name:
Title:

This is one of the Class A-1B Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**[FORM OF ASSIGNMENT]**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER
OF ASSIGNEE)

_____
_____

_____
(Please Print or Typewrite Name and Address of Assignee)

_____
the within Note, and all rights thereunder, and hereby does irrevocably constitute and appoint

_____,
as attorney, to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____

_____
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**GLOBAL CLASS A-2 NOTE**

[For Rule 144A Book-Entry Notes]

**UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("*DTC*"), TO THE TRANSFEROR OF SUCH NOTE (THE "*TRANSFEROR*") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR THE USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED**

**IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER, OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER, OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

[The remaining pages for this Class A-2 Note follow starting on the next page.
The remainder of this page is intentionally left blank.]

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS A-2 NOTE**

No. _____

Up to $61,995,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed SIXTY-ONE MILLION NINE HUNDRED AND NINETY-FIVE THOUSAND DOLLARS ($61,995,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class A-2 Note shall represent such of the Outstanding Class A-2 Notes as are specified herein, and represents the aggregate amount of Outstanding Class A-2 Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class A-2 Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class A-2 Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class A-2 Notes specified in the Indenture (calculated in accordance with the Indenture).

The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class A-2 Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the last Business Day preceding such Payment Date.

**THIS CLASS A-2 NOTE IS SUBORDINATE IN RIGHT OF PAYMENT OF PRINCIPAL TO THE CLASS A-1A NOTES AND THE CLASS A-1B NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class A-2 Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class A-2 Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person, except that certain payments on this Class A-2 Note are guaranteed, and are entitled to the benefits of, the financial guaranty insurance policy issued by Assured Guaranty Corp. (the "*Class A Note Insurer*"), pursuant to which the Class A Note Insurer has unconditionally guaranteed payment to the Class A-2 Noteholders of interest with respect to each Payment Date and of principal at its Stated Maturity Date, as more fully set forth in the Indenture and the Class A Insurance Policy. Neither the Class A-2 Notes nor the Contract Assets are insured by any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class A-2 Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class A-2 Note and any other Class A-2 Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Class A-2 Notes may be exchanged, and their transfer may be registered, by the Class A-2 Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class A-2 Notes. Upon exchange or registration of such transfer, a new registered Class A-2 Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class A-2 Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

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IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: -
Name:
Title:

This is one of the Class A-2 Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**DEFINITIVE CLASS A-2 NOTE**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING AN OWNERSHIP INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET**

**REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**OWING TO THE PROVISIONS FOR THE PAYMENT OF PRINCIPAL CONTAINED HEREIN, THE OUTSTANDING NOTE BALANCE OF THIS NOTE MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANYONE PURCHASING THIS NOTE SHOULD CONFIRM THE OUTSTANDING NOTE BALANCE HEREOF BY INQUIRY OF THE TRUSTEE.**

[The remaining pages for this Class A-2 Note follow starting on the next page.
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**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS A-2 NOTE**

No. _____

Up to $61,995,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed SIXTY-ONE MILLION NINE HUNDRED AND NINETY-FIVE THOUSAND DOLLARS ($61,995,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class A-2 Note shall represent such of the Outstanding Class A-2 Notes as are specified herein, and represents the aggregate amount of Outstanding Class A-2 Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class A-2 Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class A-2 Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class A-2 Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including

the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class A-2 Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the close of business on the last Business Day of the month prior to such Payment Date.

**THIS CLASS A-2 NOTE IS SUBORDINATE IN RIGHT OF PAYMENT OF PRINCIPAL TO THE CLASS A-1A NOTES AND THE CLASS A-1B NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class A-2 Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class A-2 Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person, except that certain payments on this Class A-2 Note are guaranteed, and are entitled to the benefits of, the financial guaranty insurance policy issued by Assured Guaranty Corp., (the "*Class A Note Insurer*"), pursuant to which the Class A Note Insurer has unconditionally guaranteed payment to the Class A-2 Noteholders of interest with respect to each Payment Date and of principal at its Stated Maturity Date, as more fully set forth in the Indenture and the Class A Insurance Policy. Neither the Class A-2 Notes nor the Contract Assets are insured by any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class A-2 Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class A-2 Note and any other Class A-2 Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The final payment on any Definitive Note shall be made only upon presentation and surrender of the Note at the Corporate Trust Office of the Trustee.

The Class A-2 Notes may be exchanged, and their transfer may be registered, by the Class A-2 Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class A-2 Notes. Upon exchange or registration of such transfer, a new registered Class A-2 Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class A-2 Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class A-2 Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**[FORM OF ASSIGNMENT]**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF ASSIGNEE)

_____
_____

_____
(Please Print or Typewrite Name and Address of Assignee)

_____
the within Note, and all rights thereunder, and hereby does irrevocably constitute and appoint

_____,
as attorney, to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____

_____
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
GLOBAL CLASS B NOTE**

[For Rule 144A Book-Entry Notes]

**UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("*DTC*"), TO THE TRANSFEROR OF SUCH NOTE (THE "*TRANSFEROR*") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR THE USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND**

**FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

[The remaining pages for this Class B Note follow starting on the next page.
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**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS B NOTE**

No. _____

Up to $5,403,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed FIVE MILLION FOUR HUNDRED AND THREE THOUSAND DOLLARS ($5,403,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class B Note shall represent such of the Outstanding Class B Notes as are specified herein, and represents the aggregate amount of Outstanding Class B Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class B Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class B Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class B Notes specified in the Indenture (calculated in accordance with the Indenture).

The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class B Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the last Business Day preceding such Payment Date.

**THIS CLASS B NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, AND THE CLASS A-2 NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class B Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class B Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class B Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class B Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class B Note and any other Class B Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Class B Notes may be exchanged, and their transfer may be registered, by the Class B Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class B Notes. Upon exchange or registration of such transfer, a new registered Class B Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class B Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class B Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
DEFINITIVE CLASS B NOTE**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING AN OWNERSHIP INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET**

**REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**OWING TO THE PROVISIONS FOR THE PAYMENT OF PRINCIPAL CONTAINED HEREIN, THE OUTSTANDING NOTE BALANCE OF THIS NOTE MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANYONE PURCHASING THIS NOTE SHOULD CONFIRM THE OUTSTANDING NOTE BALANCE HEREOF BY INQUIRY OF THE TRUSTEE.**

[The remaining pages for this Class B Note follow starting on the next page.
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**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS B NOTE**

No. _____

Up to $5,403,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed FIVE MILLION FOUR HUNDRED AND THREE THOUSAND DOLLARS ($5,403,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class B Note shall represent such of the Outstanding Class B Notes as are specified herein, and represents the aggregate amount of Outstanding Class B Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class B Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class B Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class B Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including

the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class B Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the close of business on the last Business Day of the month prior to such Payment Date.

**THIS CLASS B NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, AND THE CLASS A-2 NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class B Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class B Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class B Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class B Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class B Note and any other Class B Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The final payment on any Definitive Note shall be made only upon presentation and surrender of the Note at the Corporate Trust Office of the Trustee.

The Class B Notes may be exchanged, and their transfer may be registered, by the Class B Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class B Notes. Upon exchange or registration of such transfer, a new registered Class B Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class B Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class B Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**[FORM OF ASSIGNMENT]**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF ASSIGNEE)

_____
_____

_____
(Please Print or Typewrite Name and Address of Assignee)

_____
the within Note, and all rights thereunder, and hereby does irrevocably constitute and appoint

_____,
as attorney, to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____

_____
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
GLOBAL CLASS C NOTE**

[For Rule 144A Book-Entry Notes]

**UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (*"DTC"*), TO THE TRANSFEROR OF SUCH NOTE (THE *"TRANSFEROR"*) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR THE USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE *"SECURITIES ACT"*), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT (*"RULE 144A"*) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (*"QIB"*) WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND**

**FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

[The remaining pages for this Class C Note follow starting on the next page.
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**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS C NOTE**

No. _____

Up to $6,907,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed SIX MILLION NINE HUNDRED AND SEVEN THOUSAND DOLLARS ($6,907,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class C Note shall represent such of the Outstanding Class C Notes as are specified herein, and represents the aggregate amount of Outstanding Class C Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class C Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class C Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class C Notes specified in the Indenture (calculated in accordance with the Indenture).

The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class C Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the last Business Day preceding such Payment Date.

**THIS CLASS C NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, THE CLASS A-2 NOTES, AND THE CLASS B NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class C Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class C Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class C Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class C Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class C Note and any other Class C Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Class C Notes may be exchanged, and their transfer may be registered, by the Class C Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class C Notes. Upon exchange or registration of such transfer, a new registered Class C Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class C Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrumentof transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the
principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class C Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
DEFINITIVE CLASS C NOTE**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING AN OWNERSHIP INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET**

**REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**OWING TO THE PROVISIONS FOR THE PAYMENT OF PRINCIPAL CONTAINED HEREIN, THE OUTSTANDING NOTE BALANCE OF THIS NOTE MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANYONE PURCHASING THIS NOTE SHOULD CONFIRM THE OUTSTANDING NOTE BALANCE HEREOF BY INQUIRY OF THE TRUSTEE.**

[The remaining pages for this Class C Note follow starting on the next page.
The remainder of this page is intentionally left blank.]

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS C NOTE**

No. _____

Up to $6,907,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed SIX MILLION NINE HUNDRED AND SEVEN THOUSAND DOLLARS ($6,907,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class C Note shall represent such of the Outstanding Class C Notes as are specified herein, and represents the aggregate amount of Outstanding Class C Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class C Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class C Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class C Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including

the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class C Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the close of business on the last Business Day of the month prior to such Payment Date.

**THIS CLASS C NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, THE CLASS A-2 NOTES, AND THE CLASS B NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class C Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class C Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class C Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class C Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class C Note and any other Class C Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The final payment on any Definitive Note shall be made only upon presentation and surrender of the Note at the Corporate Trust Office of the Trustee.

The Class C Notes may be exchanged, and their transfer may be registered, by the Class C Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class C Notes. Upon exchange or registration of such transfer, a new registered Class C Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class C Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

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IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: -
Name:
Title:

This is one of the Class C Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**[FORM OF ASSIGNMENT]**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER
OF ASSIGNEE)

_____
_____

_____
(Please Print or Typewrite Name and Address of Assignee)

_____
the within Note, and all rights thereunder, and hereby does irrevocably constitute and appoint

_____,
as attorney, to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____

_____
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
GLOBAL CLASS D NOTE**

[For Rule 144A Book-Entry Notes]

**UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (*"DTC"*), TO THE TRANSFEROR OF SUCH NOTE (THE *"TRANSFEROR"*) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR THE USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE *"SECURITIES ACT"),* OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT (*"RULE 144A")* TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (*"QIB")* WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND**

**FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

[The remaining pages for this Class D Note follow starting on the next page.
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**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS D NOTE**

No. _____

Up to $3,119,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed THREE MILLION ONE HUNDRED NINETEEN THOUSAND DOLLARS ($3,119,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class D Note shall represent such of the Outstanding Class D Notes as are specified herein, and represents the aggregate amount of Outstanding Class D Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class D Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class D Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class D Notes specified in the Indenture (calculated in accordance with the Indenture).

The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class D Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the last Business Day preceding such Payment Date.

**THIS CLASS D NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, THE CLASS A-2 NOTES, THE CLASS B NOTES, AND THE CLASS C NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class D Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class D Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class D Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class D Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class D Note and any other Class D Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Class D Notes may be exchanged, and their transfer may be registered, by the Class D Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class D Notes. Upon exchange or registration of such transfer, a new registered Class D Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class D Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By:
Name:
Title:

This is one of the Class D Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
DEFINITIVE CLASS D NOTE**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING AN OWNERSHIP INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET**

**REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**OWING TO THE PROVISIONS FOR THE PAYMENT OF PRINCIPAL CONTAINED HEREIN, THE OUTSTANDING NOTE BALANCE OF THIS NOTE MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANYONE PURCHASING THIS NOTE SHOULD CONFIRM THE OUTSTANDING NOTE BALANCE HEREOF BY INQUIRY OF THE TRUSTEE.**

[The remaining pages for this Class D Note follow starting on the next page.
The remainder of this page is intentionally left blank.]

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS D NOTE**

No. _____

Up to $3,119,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed THREE MILLION ONE HUNDRED NINETEEN THOUSAND DOLLARS ($3,119,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class D Note shall represent such of the Outstanding Class D Notes as are specified herein, and represents the aggregate amount of Outstanding Class D Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class D Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class D Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class D Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including

the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class D Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the close of business on the last Business Day of the month prior to such Payment Date.

**THIS CLASS D NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, THE CLASS A-2 NOTES, THE CLASS B NOTES, AND THE CLASS C NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class D Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class D Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class D Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class D Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class D Note and any other Class D Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The final payment on any Definitive Note shall be made only upon presentation and surrender of the Note at the Corporate Trust Office of the Trustee.

The Class D Notes may be exchanged, and their transfer may be registered, by the Class D Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class D Notes. Upon exchange or registration of such transfer, a new registered Class D Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class D Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class D Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**[FORM OF ASSIGNMENT]**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER
OF ASSIGNEE)

_____
_____

_____
(Please Print or Typewrite Name and Address of Assignee)

_____
the within Note, and all rights thereunder, and hereby does irrevocably constitute and appoint

_____,
as attorney, to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____

_____
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
GLOBAL CLASS E-1 NOTE**

[For Rule 144A Book-Entry Notes]

**UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (*"DTC"*), TO THE TRANSFEROR OF SUCH NOTE (THE *"TRANSFEROR"*) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR THE USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE *"SECURITIES ACT")*, OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT (*"RULE 144A")* TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (*"QIB")* WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND**

**FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

[The remaining pages for this Class E-1 Note follow starting on the next page.
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**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS E-1 NOTE**

No. _____

Up to $4,234,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed FOUR MILLION TWO HUNDRED THIRTY-FOUR THOUSAND DOLLARS ($4,234,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class E-1 Note shall represent such of the Outstanding Class E-1 Notes as are specified herein, and represents the aggregate amount of Outstanding Class E-1 Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class E-1 Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class E-1 Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class E-1 Notes specified in the Indenture (calculated in accordance with the Indenture).

The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class E-1 Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the last Business Day preceding such Payment Date.

**THIS CLASS E-1 NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, THE CLASS A-2 NOTES, THE CLASS B NOTES, THE CLASS C NOTES, AND THE CLASS D NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class E-1 Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class E-1 Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class E-1 Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class E-1 Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class E-1 Note and any other Class E-1 Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Class E-1 Notes may be exchanged, and their transfer may be registered, by the Class E-1 Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class E-1 Notes. Upon exchange or registration of such transfer, a new registered Class E-1 Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class E-1 Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class E-1 Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
DEFINITIVE CLASS E-1 NOTE**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING AN OWNERSHIP INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION") (EACH A "BENEFIT PLAN INVESTOR"), OR (B) (I) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, (II) AT THE TIME OF ACQUISITION THE NOTES ARE RATED AT LEAST INVESTMENT GRADE, AND (III) IT BELIEVES THAT THE NOTES ARE PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET**

**REGULATIONS AND AGREES TO SO TREAT SUCH NOTES, OR (C) IT HAS PROVIDED THE TRUSTEE WITH AN OPINION OF COUNSEL, WHICH OPINION OF COUNSEL WILL NOT BE AT THE EXPENSE OF THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER, WHICH OPINES THAT THE PURCHASE, HOLDING, AND TRANSFER OF SUCH NOTE OR INTEREST THEREIN IS PERMISSIBLE UNDER APPLICABLE LAW, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE, AND WILL NOT SUBJECT THE TRUSTEE, THE ISSUER, THE SERVICER, THE CLASS A NOTE INSURER OR THE INITIAL PURCHASER TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE INDENTURE. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**OWING TO THE PROVISIONS FOR THE PAYMENT OF PRINCIPAL CONTAINED HEREIN, THE OUTSTANDING NOTE BALANCE OF THIS NOTE MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANYONE PURCHASING THIS NOTE SHOULD CONFIRM THE OUTSTANDING NOTE BALANCE HEREOF BY INQUIRY OF THE TRUSTEE.**

[The remaining pages for this Class E-1 Note follow starting on the next page.
The remainder of this page is intentionally left blank.]

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS E-1 NOTE**

No. _____

Up to $4,234,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed FOUR MILLION TWO HUNDRED THIRTY-FOUR THOUSAND DOLLARS ($4,234,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class E-1 Note shall represent such of the Outstanding Class E-1 Notes as are specified herein, and represents the aggregate amount of Outstanding Class E-1 Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class E-1 Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class E-1 Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class E-1 Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including

the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class E-1 Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the close of business on the last Business Day of the month prior to such Payment Date.

**THIS CLASS E-1 NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, THE CLASS A-2 NOTES, THE CLASS B NOTES, THE CLASS C NOTES, AND THE CLASS D NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class E-1 Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class E-1 Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class E-1 Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class E-1 Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class E-1 Note and any other Class E-1 Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The final payment on any Definitive Note shall be made only upon presentation and surrender of the Note at the Corporate Trust Office of the Trustee.

The Class E-1 Notes may be exchanged, and their transfer may be registered, by the Class E-1 Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class E-1 Notes. Upon exchange or registration of such transfer, a new registered Class E-1 Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class E-1 Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By:
Name:
Title:

This is one of the Class E-1 Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**[FORM OF ASSIGNMENT]**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER
OF ASSIGNEE)

_____
_____

_____
(Please Print or Typewrite Name and Address of Assignee)

_____
the within Note, and all rights thereunder, and hereby does irrevocably constitute and appoint

_____,
as attorney, to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____

_____
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC
EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2
GLOBAL CLASS E-2 NOTE**

[For Rule 144A Book-Entry Notes]

**UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (*"DTC"*), TO THE TRANSFEROR OF SUCH NOTE (THE *"TRANSFEROR"*) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR THE USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE *"SECURITIES ACT"*), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT (*"RULE 144A"*) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (*"QIB"*) WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A AND IS A U.S. PERSON (*"U.S. PERSON"*) WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB AND IS A U.S. PERSON. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG**

**AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION"). THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

[The remaining pages for this Class E-2 Note follow starting on the next page.
The remainder of this page is intentionally left blank.]

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS E-2 NOTE**

No. _____

Up to $3,342,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed THREE MILLION THREE HUNDRED FORTY-TWO THOUSAND DOLLARS ($3,342,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class E-2 Note shall represent such of the Outstanding Class E-2 Notes as are specified herein, and represents the aggregate amount of Outstanding Class E-2 Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class E-2 Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class E-2 Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class E-2 Notes specified in the Indenture (calculated in accordance with the Indenture).

The Interest Accrual Period for each Payment Date is the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class E-2 Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the last Business Day preceding such Payment Date.

**THIS CLASS E-2 NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, THE CLASS A-2 NOTES, THE CLASS B NOTES, THE CLASS C NOTES, THE CLASS D NOTES AND THE CLASS E-1 NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class E-2 Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class E-2 Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class E-2 Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class E-2 Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class E-2 Note and any other Class E-2 Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Class E-2 Notes may be exchanged, and their transfer may be registered, by the Class E-2 Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class E-2 Notes. Upon exchange or registration of such transfer, a new registered Class E-2 Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class E-2 Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

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IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class E-2 Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**FORM OF LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**DEFINITIVE CLASS E-2 NOTE**

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("*RULE 144A*") TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("*QIB*") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT RESALE, PLEDGE, OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A AND IS A U.S. PERSON ("*U.S. PERSON*") WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR TO THE ISSUER PURSUANT TO THE TERMS OF THE INDENTURE, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATING TO THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING AN OWNERSHIP INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUER AND THE SERVICER THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB AND IS A U.S. PERSON. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "*EMPLOYEE BENEFIT PLAN*" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN ("PLAN ASSETS") PURSUANT TO 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA (THE "PLAN ASSET REGULATION"). THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**OWING TO THE PROVISIONS FOR THE PAYMENT OF PRINCIPAL CONTAINED HEREIN, THE OUTSTANDING NOTE BALANCE OF THIS NOTE MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANYONE PURCHASING THIS NOTE SHOULD CONFIRM THE OUTSTANDING NOTE BALANCE HEREOF BY INQUIRY OF THE TRUSTEE.**

[The remaining pages for this Class E-2 Note follow starting on the next page.
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**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2**
**CLASS E-2 NOTE**

No. _____

Up to $3,342,000

Stated Maturity Date: _____ __, 20__

Dated: _____ __, 20__

REGISTERED OWNER: _____

LEAF Receivables Funding 7, LLC, a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware (the "*Issuer*," which term includes any successor entity under the Indenture referred to below), for value received, hereby promises to pay to the Registered Owner on or before the Stated Maturity Date the principal sum in an amount not to exceed THREE MILLION THREE HUNDRED FORTY-TWO THOUSAND DOLLARS ($3,342,000) less all principal paid with respect thereto, and to pay monthly in arrears all accrued interest and other amounts due with respect to this Note, as further provided in the Indenture. Accrued interest, principal, and other amounts due with respect to this Note shall be paid on each Payment Date.

This Note is duly authorized by the Issuer pursuant to the Indenture, and is designated as its Equipment Contract Backed Notes, Series 2011-2 (herein called the "*Notes*") issued and to be issued under the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Reference is made to the Indenture for a statement of the respective rights thereunder of the Issuer, the Trustee, and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. Each capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Indenture.

Each Class E-2 Note shall represent such of the Outstanding Class E-2 Notes as are specified herein, and represents the aggregate amount of Outstanding Class E-2 Notes from time to time endorsed hereon by the Trustee, or by the Note Registrar at the direction of the Trustee, and the aggregate amount of Outstanding Class E-2 Notes represented hereby may, from time to time, be reduced or increased to represent exchanges and redemptions.

Interest shall accrue on the Outstanding Note Balance of the Class E-2 Notes as of the first day of the applicable Interest Accrual Period and (to the greatest extent legally enforceable) on any overdue payment of interest from the date such interest became due and payable (giving effect to any applicable grace periods provided in the Indenture) until fully paid, at the Note Rate for the Class E-2 Notes specified in the Indenture (calculated in accordance with the Indenture). The Interest Accrual Period for each Payment Date is the period commencing on and including

the immediately preceding Payment Date and ending on and including the day immediately preceding such Payment Date; provided that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date. All accrued interest shall be due and payable in arrears on each Payment Date. In making any interest payment, if the interest calculation with respect to a Note shall result in a portion of such payment being less than $0.01, then such payment shall be decreased to the nearest whole cent, and no subsequent adjustment shall be made in respect thereof.

Installments of principal shall be paid on this Note beginning on the Initial Payment Date and ending no later than the Stated Maturity Date specified above unless the Notes become due and payable at an earlier date by declaration of acceleration in accordance with Article VI of the Indenture or call for redemption in accordance with Article XI of the Indenture. Each installment of principal due on any Payment Date (other than the Stated Maturity Date) shall be paid from amounts on deposit in the Collection Account to the applicable Holders in reduction of principal until the Outstanding Note Balance of each Class has been reduced to zero, in each case in accordance with the priorities set forth in the Indenture for such Payment Date. All unpaid principal on any Note (together with interest thereon and all other amounts due and payable under the Indenture or in respect of the Notes) shall be due and payable in full on its Stated Maturity Date. All reductions in the principal amount of this Note effected by payments of principal shall be binding upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note. Principal payable on the Class E-2 Notes shall be payable in accordance with the Indenture; provided that, if as a result of such proration a portion of such principal would be less than $0.01, then such payment shall be decreased to the nearest whole cent, and such portion shall be applied to the next succeeding principal payment.

The principal and interest payable on this Note are payable, through the Paying Agent on behalf of the Issuer, by check mailed by first-class mail to the Registered Holder of this Note, at the address of the Registered Holder as it appears in the Note Register or, at the option of the Noteholder by wire transfer in accordance with the terms of the Indenture. The Record Date for any Payment Date shall be the close of business on the last Business Day of the month prior to such Payment Date.

**THIS CLASS E-2 NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO THE CLASS A-1A NOTES, THE CLASS A-1B NOTES, THE CLASS A-2 NOTES, THE CLASS B NOTES, THE CLASS C NOTES, THE CLASS D NOTES, AND THE CLASS E-1 NOTES TO THE EXTENT AND AS MORE FULLY DESCRIBED IN THE INDENTURE.**

This Class E-2 Note does not purport to summarize the Indenture completely, and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties, and immunities of the Issuer. Copies of the Indenture and all amendments thereto will be provided to any Noteholder, at its expense, upon a written request to the Trustee at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107.

This Class E-2 Note represents asset-backed debt secured solely by assets of the Issuer, and is not an interest in, or obligation of, any other Person. Neither the Class E-2 Notes nor the Contract Assets are insured by any Person or any governmental agency.

The Notes are secured by certain Contract Assets, and the other assets comprising the Collateral, all as described in the Indenture. The Collateral secures the Class E-2 Notes issued under the Indenture equally and ratably without prejudice, priority, or distinction between any Class E-2 Note and any other Class E-2 Note by reason of time of issue or otherwise, and also secures the payment of certain other amounts and certain other obligations as described in the Indenture.

Unless earlier declared due and payable by reason of an Event of Default, the Notes are payable only at the time and in the manner provided in the Indenture, and are not redeemable or prepayable at the option of the Issuer before such time, except that the Notes shall be redeemable at the option of the Issuer in whole but not in part on any Payment Date on which the Aggregate Outstanding Note Balance (after taking into account payments made on such Payment Date) is less than 10% of the Aggregate Initial Note Balance at the applicable Redemption Price plus any fees due under the Indenture. If an Event of Default shall occur and be continuing, the principal of all the Notes may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The final payment on any Definitive Note shall be made only upon presentation and surrender of the Note at the Corporate Trust Office of the Trustee.

The Class E-2 Notes may be exchanged, and their transfer may be registered, by the Class E-2 Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Trustee only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Class E-2 Notes. Upon exchange or registration of such transfer, a new registered Class E-2 Note or Notes evidencing the same Outstanding Note Balance will be executed in exchange therefor.

Each Person who has or who acquires any Ownership Interest in a Class E-2 Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Sections 2.06 and 2.07 of the Indenture, and shall be deemed to make any and all representations and warranties contained in Article II of the Indenture.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, the Note Registrar, the Paying Agent, and any agent of the Issuer, the Trustee, the Note Registrar, or the Paying Agent shall treat the Person in whose name this Note is registered in the Note Register as the owner hereof for the purpose of receiving payment as provided in the Indenture and for all other purposes whatsoever, whether or not this Note be overdue, and neither the Issuer, the Trustee, the Note Registrar, the Paying Agent, nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register of the Issuer upon surrender of this Note for registration of transfer at the office of the Note Registrar in the United States of America maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar and duly executed by the holder hereof or his attorney duly authorized in writing and complying with all transfer requirements contained in the Indenture. Thereupon, one or more new Notes of the same Stated Maturity Date of authorized denominations and for the same initial aggregate principal amount will be issued to the designated transferees.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Noteholders under the Indenture at any time, with the prior written consent of the Control Party and the Servicer, by the Issuer, the Custodian, and the Trustee. The Indenture also contains provisions permitting the Control Party and the Noteholders to agree to certain modifications or actions and to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Control Party shall be conclusive and binding upon all Holders and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange or in lieu thereof whether or not notation of such consent or waiver is made upon this Note.

The Notes are issuable only in registered form without coupons, in such authorized denominations as provided in the Indenture, and subject to certain limitations therein set forth.

The Issuer has structured the transaction contemplated by the Indenture and the Notes with the intention that the Notes will qualify under applicable tax law as indebtedness of the Issuer. The Issuer, the Trustee, and each Noteholder, by acceptance of its Note, agree to treat the Notes as indebtedness of the Issuer for all tax purposes.

During the term of the Indenture and for one year and one day after payment in full of all of the obligations of the Issuer under the Transaction Documents, none of the parties to the Indenture or any Affiliate thereof or any Noteholder will file any involuntary petition against the Issuer or otherwise institute, or cooperate with or encourage any other Person to file or otherwise institute, any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings or any other proceedings under federal or state bankruptcy or similar law against or concerning the Issuer; provided that if such proceeding shall have commenced, nothing herein shall preclude any Noteholder from filing a proof of claim in any such proceeding in accordance with the Indenture.

This Note and the Indenture shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed therein, except to the extent that the perfection or effect of perfection of the security interests granted thereunder are governed by the laws of a jurisdiction other than the State of New York, and without regard to principles of conflict of laws of the State of New York that would permit or require the application of the law of any other jurisdiction.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

The Issuer hereby waives diligence, presentment, demand, protest, and notice of any kind whatsoever. The non-exercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, LEAF Receivables Funding 7, LLC, has caused this instrument to be signed, manually, by its authorized officer, as of the date set forth below.

LEAF RECEIVABLES FUNDING 7, LLC

By: _____
Name:
Title:

This is one of the Class E-2 Notes described in the within-mentioned Indenture.

Dated: _____ ___, 2011

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

**[FORM OF ASSIGNMENT]**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER
OF ASSIGNEE)

_____
_____

_____
(Please Print or Typewrite Name and Address of Assignee)

_____
the within Note, and all rights thereunder, and hereby does irrevocably constitute and appoint

_____,
as attorney, to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____

_____
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

**FORM OF**
**REQUEST FOR RELEASE**

U.S. Bank National Association, as Trustee
60 Livingston Avenue, EP-MN-WS3D
St. Paul, Minnesota 55107
Telecopier No.: 651-495-8090
Attention: LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, Series 2011-2

U.S. Bank National Association ("*U.S. Bank*"), as Custodian
1133 Rankin Street, EP-MN-TMZD
St. Paul, Minnesota 55116
Telecopier No.: 651-695-6102
Attention: LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, Series 2011-2

Re: Indenture, dated as of September 7, 2011 (the "*Indenture*"), between LEAF Receivables Funding 7, LLC (the "*Issuer*"), and U.S. Bank National Association, as trustee (the "*Trustee*") and as custodian (the "*Custodian*")

In connection with the administration of the Contracts held by U.S. Bank National Association as the Custodian for the Trustee, we request the release of the Contract described in Schedule I, for the reason indicated. Capitalized words and phrases used herein shall have the respective meanings assigned to them in the Indenture.

Reason for Requesting Documents (check one)

___ 1. Contract has become a Defaulted Contract

___ 2. A Warranty Event has occurred with respect to such Contract (Transferor purchase is required under Section 6.1 of the Purchase and Contribution Agreement)

___ 3. Such Contract is an Early Termination Contract

___ 4. Collection of Insurance Proceeds that have been deposited into the Collection Account

___ 5. Temporary Release to Servicer in accordance with Section 4.07(c) of the Indenture countersigned by the Servicer with the consent of the Control Party attached hereto

If Item 1, 2, 3 or 4 above is checked, the Issuer requests the release of the Lien of the Trustee on such Contract and related Contract Assets and the release of the related Contract Files. If Item 5 has been checked, the Issuer and the Servicer (i) request the temporary release of the Contract Files related to such Contract to the Servicer for servicing purposes only, and

acknowledge that the Servicer will hold such temporarily released contracts as bailee of the Custodian, and (ii) acknowledge that the Custodian's release of the Contract and any related documentation does not, for any purpose whatsoever, release or discharge the lien on such Contract.

If Item 2 or 4 above is checked, and the Contract Repurchase Price is being delivered together with this Request for Release: (A) the Issuer certifies that (i) attached hereto as Schedule I is a list identifying the Contract and the related Contract Assets to be released; (ii) after giving effect to such release, no Default, Event of Default, or Event of Servicing Termination exists or will exist; and (iii) all other conditions precedent set forth in the Transaction Documents relating to such release have been satisfied; and (B) the Transferor certifies that (i) $_____ has been deposited into the Collection Account with respect thereto, and such amount constitutes the Contract Repurchase Price relating to such Contract and the related Contract Assets, and (ii) after giving effect to such release, no Default, Event of Default or Event, of Servicing Termination exists or will exist.

If Item 1, 2, or 3 above is checked, and a Substitute Contract and the related Contract Assets are being delivered together with this Request for Release: (A) the Issuer certifies that (i) attached hereto as Schedule I is a list identifying the Contract and the related Contract Assets to be released; (ii) attached hereto as Schedule II is a list identifying the Substitute Contract and the related Contract Assets that have been delivered to the Custodian in connection herewith and which are hereby substituted for the Contract and the related Contract Assets on Schedule I in accordance with the Transaction Documents; (iii) after giving effect to such release, no Default, Event of Default or Cumulative Net Loss Trigger Event exists or will exist, (iv) the Overconcentration Test and any additional overconcentration tests specified in the Insurance Agreement after giving effect to such release have been satisfied, (v) all other conditions precedent set forth in the Transaction Documents relating to such release have been satisfied; and (vi) all Contract Files related to the Substitute Contract has been delivered to the Custodian; and (B) the Transferor certifies that after giving effect to such release, no Default, Event of Default, or Event of Servicing Termination exists or will exist.

If Item 1, 2, or 3 above is checked, the Issuer and the Transferor each hereby certify that the aggregate Discounted Contract Balances of Defaulted Contracts, Delinquent Contracts, and Early Termination Contracts that have been replaced with a Substitute Contract on a cumulative basis from the Closing Date, including after giving effect to the Contract released hereby, does not exceed 9.00% of the Initial Discounted Pool Balance.

If Item 1, 2, 3 or 4 above is checked, and if all or part of the Contract File was previously released to the Servicer pursuant to Item 5, please release to the Issuer the Servicer's previous receipt on file with you, as well as any additional documents in your possession relating to the above specified Contract.

If Item 5 above is checked, the Servicer hereby acknowledges that the Contract is the property of the Issuer and has been pledged to U.S. Bank National Association, as Trustee for the benefit of the Noteholders. Attached to this Request for Release is the written consent of the Control Party to the temporary release, for servicing purposes, of the Contract and related Contract File, to the Servicer. The Servicer agrees to return the Contract to the Custodian promptly upon the earlier of (x) the Control Party's instruction to return a Contract to the Custodian and (y) the need therefor no longer existing; provided that if an Event of Default has occurred, the Servicer shall forthwith return to the Custodian each Contract temporarily delivered pursuant to Section 4.07 of the Indenture.

IN WITNESS WHEREOF, the Issuer, the Servicer, and the Transferor have caused this Request for Release to be duly executed by their respective duly authorized officers as of _____ __, 20__.

**LEAF Receivables Funding 7, LLC, as Issuer**

By: _____
Print Name: _____
Title: _____
Date: _____

**LEAF Commercial Capital, Inc., as Servicer**

By: _____
Print Name: _____
Title: _____
Date: _____

**LEAF Capital Funding, LLC, as Transferor**

By: _____
Print Name: _____
Title: _____
Date: _____

Schedule I
to Request for Release

Contract Assets to be released from Lien of Indenture

Exhibit F-1-5

Schedule II
to Request for Release

Substituted Contracts

Exhibit F-1-6

**FORM OF**
**RETURN OF DOCUMENTS TO CUSTODIAN**

_____ __, 20__

U.S. Bank National Association ("*U.S. Bank*")
1133 Rankin Street
St. Paul, Minnesota 55116
Attention: LEAF Receivables Funding 7, LLC,
Equipment Contract Backed Notes, Series 2011-2

Re: Indenture, dated as of September 7, 2011 (the "*Indenture*"), between LEAF Receivables Funding 7, LLC (the "*Issuer*"), and U.S. Bank National Association, as trustee (the "*Trustee*") and as custodian (the "*Custodian*")

Ladies and Gentlemen:

In accordance with Section 4.07(c) of the Indenture, enclosed please find the Contract Files for the Contract(s) described below:

Obligors Name, Address, and Zip Code:
LEAF Contract Number:

Capitalized words and phrases used herein shall have the respective meanings assigned to them in the above-captioned Indenture.

LEAF COMMERCIAL CAPITAL, INC.,
as Servicer

By: _____

Name:
Title:

RECEIPT ACKNOWLEDGED:

U.S. BANK NATIONAL ASSOCIATION,
as Custodian

By: _____
Name:
Title:
Date:

**FORM OF CUSTODIAN AND TRUSTEE CERTIFICATE**
**(pursuant to Section 4.03(b) of the Indenture)**

LEAF Receivables Funding 7, LLC, as Issuer
2005 Market Street, 14th Floor
Philadelphia, Pennsylvania 19103
Attention: Miles Herman

U.S. Bank National Association, as Trustee
60 Livingston Avenue, EP-MN-WS3D
St. Paul, Minnesota 55107

U.S. Bank National Association, as Custodian
1133 Rankin Street, EP-MN-TMZD
St. Paul, Minnesota 55116

Re: Indenture, dated as of September 7, 2011 (the "*Indenture*"), between LEAF Receivables Funding 7, LLC (the "*Issuer*"), and U.S. Bank National Association, as trustee (the "*Trustee*") and as custodian (the "*Custodian*")

Ladies and Gentlemen:

1. This Certificate (and the attached Exception Report, if applicable) is delivered pursuant to Section 4.03(b) (and Section 3.01(d)) of the Indenture. Each capitalized term used and not otherwise defined herein has the meaning assigned thereto in the Indenture.

2. The Custodian hereby certifies that:

(a) it is holding each Contract listed on the Contract Schedule attached hereto as Schedule I (each a "*Subject Contract*" and, collectively, the "*Subject Contracts*") as Custodian for the benefit of the Secured Parties;

(b) except as otherwise noted, it has received and reviewed each item listed below for each Subject Contract:

(i) copies of all UCC financing statements required to be filed to perfect the security interest in the related Equipment and the Related Security related thereto (except with respect to a Contract related to Equipment that had an original equipment cost at origination of less than (A) if such Contract is a secured loan or finance lease that provides for a $1 purchase option, $25,000, or (B) if such Contract provides for a "fair market value" purchase option, $50,000);

(ii) for such Contract the original equipment cost at origination of which equals or exceeds $100,000, a certificate or otherevidence of insurance indicating insurance payable to the Originator or an affiliate;

(iii) for such Contract an original equipment cost at origination of which equals or exceeds $50,000, a certificate from the Obligor confirming its acceptance and delivery of the Equipment or any other document of similar import (for example, a delivery & acceptance certificate, a lease commencement authorization, a customer acknowledgement, a lease commencement and funding agreement, a commencement addendum, an installation certificate, an authorization to disburse advances, a commencement authorization, a telephone verification, or a pay proceeds letter, or such confirmation of acceptance and delivery is embedded on a lease schedule, lease document or shipping ticket); and

(iv) the one and only executed original counterpart of such Contract in the Servicer's possession, or a machine copy thereof certified by an officer of the Servicer that such copy is a true and complete copy thereof;

(c) based on its examination of the Contract Files, the LEAF Contract Number with respect to each Subject Contract accurately reflects the information on the Contract Schedule attached hereto as Schedule I.

(d) each Subject Contract does not contain any notations on its face that purport to evidence any encumbrances or restrictions on transfer other than the stamp, if any, in favor of a prior lender which has signed a Release Agreement.

3. The Trustee hereby certifies that, with respect to all Contracts in the aggregate, it has received a copy of the Contract Schedule and an executed Assignment Agreement and executed Release Agreement related thereto.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Custodian and Trustee have caused this Custodian and Trustee Certificate to be executed by its duly authorized officer this ____ day of _____, 20__.

U.S. BANK NATIONAL ASSOCIATION,
as Custodian and Trustee

By:_____
Name:
Title:

The undersigned, LEAF Receivables Funding 7, LLC, as the Issuer, hereby directs the Trustee to attach the Contract Schedule attached hereto as Schedule I to the Indenture as Schedule I thereto, with such Contract Schedule constituting the Contract Schedule, as contemplated by the Indenture and the other Transaction Documents, as of the Acquisition Date.

LEAF RECEIVABLES FUNDING 7, LLC, as Issuer

By:_____
Name:
Title:

[Amendment to Contract Schedule, with any exceptions noted]

[Exception Report]

Exhibit G-5

**[FORM OF PAYOFF LETTER]**

[To be provided]

**FORM OF INVESTMENT LETTER**

**LEAF RECEIVABLES FUNDING 7, LLC**
**EQUIPMENT CONTRACT BACKED NOTES, SERIES 2011-2 (THE *"NOTES"*)**

LEAF Receivables Funding 7, LLC (the "*Issuer*")
2005 Market Street, 14th Floor
Philadelphia, Pennsylvania 19103
Attention: Miles Herman

U.S. Bank National Association (the "*Trustee*")
60 Livingston Avenue, EP-MN-WS3D
St. Paul, Minnesota 55107
Attention: LEAF Receivables Funding 7, LLC,
Equipment Contract Backed Notes,
Series 2011-2

Ladies and Gentlemen:

Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Indenture, dated as of September 7, 2011 (as amended, modified, or supplemented from time to time, the "*Indenture*"), between the Issuer and U.S. Bank National Association, as Trustee and Custodian. Each capitalized term used and not otherwise defined herein has the meaning assigned thereto in the Indenture.

In connection with the purchase of the Note, the undersigned hereby represents and warrants on behalf of the Purchaser named below (the "*Purchaser*") as follows:

1. I am an officer of the Purchaser familiar with its financial affairs and authorized to make the representations set forth in, and execute, this letter.

2. I am familiar with the provisions of Rule 144A ("*Rule 144A*") under the Securities Act of 1933, as amended (the "*1933 Act*").

a. The transaction meets the requirements of Rule 144A and the Purchaser is a "qualified institutional buyer," as defined in Rule 144A.

b. The Purchaser is aware that the Issuer may rely on the exemption from the registration requirements of the 1933 Act provided by Rule 144A.

c. The Purchaser acknowledges that the Purchaser has (i) received such information regarding the Issuer's Equipment Contract Backed Notes, Series 2011-2 [Class A-1/ Class A-2/Class B/Class C/Class D/Class E-1/Class E-2] (the "*Notes*") as the Purchaser may require pursuant to Rule 144A or (ii) the Purchaser has determined not to request such information.

3. The Purchaser is acquiring the Notes for its own account or the account of its affiliated entities for the purpose of investment or resale under Rule 144A and not with a view to the distribution thereof. Furthermore, if the Purchaser is purchasing Class E-2 Notes, the Purchaser is a U.S. person ("*U.S. Person*") within the meaning of Regulation S under the 1933 Act.

4. The Purchaser understands that the Notes have not been and may never be registered under the 1933 Act or the securities laws of any state, that it is the expressed intent of the Issuer that the Notes are being issued only in transactions not involving any public offering within the meaning of the 1933 Act, and that the Notes will bear a legend substantially as set forth in the form of the Note attached to the Indenture.

5. The Purchaser has no present intention of selling, negotiating, or otherwise disposing of the Notes; provided, however, that it is understood that the disposition of the Purchaser's property shall at all times be and remain within its control and without prejudice, however, to its right at all times to sell or otherwise dispose of all or any part of the Notes in accordance with the Indenture under a registration statement under the 1933 Act, or under an exemption from such registration available under the 1933 Act.

6. The Purchaser understands that the Notes were transferred to it in a transaction not involving any public offering within the meaning of the Securities Act, and that if it decides to re-offer, resell, pledge, or otherwise transfer such Notes, it will do so only in accordance with applicable state securities laws and pursuant to Rule 144A to a Person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, purchasing for its own account or for the account of a QIB, whom the holder has informed that such re-offer, resale, pledge, or other transfer is being made in reliance on Rule 144A or to the Issuer pursuant to the terms of the Indenture. Furthermore, if the Purchaser decides to re-offer, resell, pledge, or otherwise transfer any Class E-2 Notes, it will do so only to a U.S. Person.

7. Either (i) It is not (and for so long as it holds any Notes or an interest therein will not be), and is not acting on behalf of (and for so long as it holds any Notes or an interest herein will not be acting on behalf of), an "*employee benefit plan*" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, a plan described in Section 4975(e)(1) of the Code or an entity which is deemed to hold the assets of any such plan ("*Plan Assets*") pursuant to 29 C.F.R. Section 2510.3-101 (the "*Plan Asset Regulation*") **[yes/no],** (ii)(A) in the case of a Class A-1A Note, a Class A-1B Note, a Class A-2 Note, a Class B Note, a Class C Note, Class D Note or a Class E-1 Note, its purchase and ownership of the security will be covered by a prohibited transaction class exemption issued by the United States Department of Labor, (B) at the time of acquisition the notes are rated at least investment grade, and (C) it believes that the notes are properly treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulation and agrees to so treat such Notes **[yes/no]**, or (iii) it has provided the Trustee with an opinion of counsel, which opinion of counsel will not be at the expense of the Trustee, the Issuer, the Servicer, the Class A Note Insurer or the Initial Purchaser which opines that the purchase, holding, and transferring of such Note or interest therein is permissible under applicable law, will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, and will not subject the Trustee, the Issuer, the Servicer, the Class A Note Insurer or the Initial Purchaser to any obligation in addition to those undertaken in the Indenture **[yes/no]**.

8. The Purchaser has provided to the Trustee an accurate, complete, and duly executed United States Internal Revenue Service Form W-8BEN or W-9 (or successor applicable form) or such other document required or reasonably requested by the Trustee for purposes of establishing the Purchaser's exemption from United States withholding tax and backup withholding tax.

9. The Purchaser agrees that (a) any sale, pledge, or other transfer of a Note (or any interest therein) made in violation of the transfer restrictions contained in the Indenture, or made based upon false or inaccurate representations made by the Transferee or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Trustee, and the Note Registrar has any obligation to recognize any sale, pledge, or other transfer of a Note (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

The representations and warranties contained herein shall be binding upon the heirs, executors, administrators, and other successors of the undersigned. If there is more than one signatory hereto, the obligations, representations, warranties, and agreements of the undersigned are made jointly and severally.

Executed at _____, _____, this _____ day of _____, 20__.

_____ _____
Purchaser's Name and Title (Print) Signature of Purchaser

_____
Address of Purchaser

_____
Purchaser's Taxpayer Identification or
Social Security Number

**FORM OF TRANSFER CERTIFICATE**
**(pursuant to 3.01(d) of Indenture)**

U.S. Bank National Association, as Trustee
60 Livingston Avenue, EP-MN-WS3D
St. Paul, Minnesota 55107
Attention: LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, Series 2011-2

Re: Indenture, dated as of September 7, 2011 (the "*Indenture*"), between LEAF Receivables Funding 7, LLC (the "*Issuer*"), and U.S. Bank National Association, as trustee (the "*Trustee*") and as custodian (the "*Custodian*")

Ladies and Gentlemen:

1. This Transfer Certificate is being delivered pursuant to Section 3.01(d) of the Indenture. Each capitalized term used and not otherwise defined herein has the meaning assigned thereto in the Indenture.

2, Attached hereto as Schedule I is the Amendment to Contract Schedule identifying each of the [Substitute Contracts] [Additional Contracts] (collectively, the "*Subject Contracts*") subject to this Transfer Certificate.

3. Attached as Schedule II is the Contract Schedule as of the date hereof, as amended by the Amendment to Contract Schedule, along with any deletions authorized by a release signed by the Trustee.

4. The Transferor hereby represents and warrants that:

(i) This Transfer Certificate has been duly authorized, executed, and delivered by the Transferor;

(ii) Each Subject Contract satisfies each of the representations and warranties set forth in paragraph (3) or (4) of the related Assignment Agreement;

(iii) All applicable filings required under Section 4.01(a)(v) and 4.02 of the Indenture have been made or are in effect;

(iv) No Event of Default or Cumulative Net Loss Trigger Event exists prior to or will exist after giving effect to the acquisition of the Subject Contracts;

(vii) The Overconcentration Test and any additional overconcentration tests specified in the Insurance Agreement after giving effect to the acquisition of the Subject Contracts have been satisfied; and

(viii) All other conditions to the acquisition by the Issuer of each Subject Contract applicable to it and specified in Section 3.01 of the Indenture, Section 3.04(b) of the Servicing Agreement (in the case of Substitute Contracts).

[The signature page follows. The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Transferor has caused this Transfer Certificate to be executed by its duly authorized officer this _____ day of _____, 20__.

LEAF CAPITAL FUNDING, LLC

By: _____
Name: _____
Title: _____

Exhibit J-3

**SCHEDULE II**

**DEFINITIONS ANNEX**

**[**See attached.**]**

SCHEDULE II
TO INDENTURE

DEFINITIONS ANNEX

"*Acquisition Date*": With respect to a Substitute Contract or Additional Contract, the date on which such Substitute Contract or Additional Contract is acquired by the Issuer pursuant to the Indenture, and for each Initial Contract, the Closing Date.

"*Act*": With respect to any Noteholder, the meaning set forth in Section 14.02 of the Indenture.

"*Additional Amount*": Means, with respect to any Payment Date, (1) if the Overcollateralization Percentage is greater than or equal to 2%, an amount equal to zero or (2) if the Overcollateralization Percentage is less than 2%, the amount necessary to reduce the Aggregate Outstanding Note Balance, sequentially as set forth in Section 13.03(c) of the Indenture, so that the Overcollateralization Percentage will equal 2% after giving effect to that Additional Amount.

"*Additional Contracts*": Means those Contracts purchased by the Issuer, and pledged to the Trustee, with the amounts on deposit in the Prefunding Account.

"*Additional Required Reserve Account Deposit*": Has the meaning assigned to it in Section 13.04(a) of the Indenture.

"*Advance Payment*": With respect to a Contract and a Collection Period, any Scheduled Payment or portion thereof made by or on behalf of an Obligor and received by the Servicer during such Collection Period, which Scheduled Payment or portion thereof does not become due until a subsequent Collection Period. Prepayments are not "Advance Payments."

"*Affiliate*": With respect to any specified Person, any other Person, directly or indirectly, controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the power (a) to vote ten percent (10%) or more of the securities or interests (on a fully diluted basis) having ordinary voting power for the directors, managers or managing partners (or their equivalent) of such Person or (b) to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Aggregate Initial Note Balance*": The sum of the Initial Note Balances for all Classes of Notes.

"*Aggregate Outstanding Note Balance*": The sum of the Outstanding Note Balances for all Classes of Notes.

"*Amendment to the Contract Schedule*": The list of Contracts, including all information set forth in the definition of "Contract Schedule", amending the Contract Schedule pursuant to any substitution, modification or other acquisition of Contracts in accordance with the terms of the Transaction Documents.

"*Assignment Agreement*": Means (a) the Assignment Agreement, dated as of September 7, 2011, between LEAF Capital Funding, LLC and the Issuer and (b) each other Assignment Agreement delivered pursuant to the Purchase and Contribution Agreement.

"*Auction*": Is as defined in Section 11.06 of the Indenture.

"*Auction Call Redemption*": Is as defined in Section 11.01 of the Indenture.

"*Auction Trigger Payment Date*": Is as defined in Section 11.06 of the Indenture.

"*Authenticating Agent*": Any entity appointed by the Trustee pursuant to Section 7.14 of the Indenture.

"*Available Funds*": With respect to any Payment Date, (a) any payments on the Contracts (including Servicing Charges) received during the related Collection Period, (b) proceeds of any Servicer Advances made with respect to such Payment Date for delinquent Scheduled Payments, no later than immediately prior to such Payment Date, (c) all Recoveries, Insurance Proceeds, Residual Receipts and other amounts received with respect to the Contracts or Equipment, (d) payments made by the Transferor or the Servicer, as the case may be, to repurchase contracts affected by breaches of representations and warranties regarding the Contracts, or Delinquent Contracts or Defaulted Contracts and (e) any deposits from the Servicer Transition Account, the Reserve Account, the Capitalized Interest Account, and, to the extent applicable, the Prefunding Account and the Servicer Transition Account, each in accordance with the Indenture.

"*Back-up Servicer*": Means U.S. Bank National Association, a national banking association, acting in the capacity of Back-up Servicer or as successor Servicer; and at such time, if any, that a successor Person shall have become the "Back-up Servicer" pursuant to the applicable provisions of the Servicing Agreement, the term "Back-up Servicer" shall also mean such successor Person.

"*Back-up Servicer Default*": An occurrence of any of the following:

(a) Any failure on the part of the Back-up Servicer to duly observe or perform any covenants or agreements of the Back-up Servicer set forth in any Transaction Document or if any representation or warranty of the Back-up Servicer set forth in Section 7.01 of the Servicing Agreement or in any other Transaction Document shall prove to be incorrect, in any material respect, which failure or breach continues unremedied for a period of thirty (30) Business Days after the earlier of the date on which the Back-up Servicer becomes aware of such failure or breach or the date on which written notice of such failure or breach, requiring the situation giving rise to such breach or non-conformity to be remedied, shall have been given to the Back-up Servicer by the Issuer, the Trustee, or the Control Party; or

(b) Any negligence or willful misconduct of the Back-up Servicer related to the Transaction Documents that results, or could reasonably be expected to result, in a material loss or damage to the Issuer, the Transferor, the Servicer, the Trustee, the Class A Note Insurer, any Noteholder or the Collateral; or

(c) A conviction of the Back-up Servicer or any of its officers of a felony or of any crime involving fraud in the discharge of fiduciary duties or the servicing of assets that could reasonably be expected to have a material adverse effect on the performance of the Back-up Servicer's duties under the Transaction Documents; or

(d) The entry of a decree or order for relief by a court having jurisdiction in respect of the Back-up Servicer or a petition shall be filed against the Back-up Servicer in an involuntary case under any federal bankruptcy laws, as now or hereafter in effect, or any other present or future federal or state bankruptcy, insolvency or similar law, or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the Back-up Servicer or for any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Back-up Servicer and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days; or

(e) The commencement by the Back-up Servicer of a voluntary case under any federal bankruptcy laws, as now or hereafter in effect, or any other present or future federal or state bankruptcy, insolvency, reorganization or similar law, or the consent by the Back-up Servicer to the appointment of or taking possession by a conservator, receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official in any insolvency, readjustment of debt, marshaling of assets and liabilities, bankruptcy or similar proceedings of or related to the Back-up Servicer or related to a substantial part of its property, or the making by the Back-up Servicer of an assignment for the benefit of creditors, or the failure by the Back-up Servicer generally to pay its debts as such debts become due or if the Back-up Servicer shall admit in writing its inability to pay its debts as they become due, or the taking of corporate action by the Back-up Servicer in furtherance of any of the foregoing.

"*Back-up Servicer Fee*": The monthly fee payable on each Payment Date to the Back-up Servicer in consideration for its performance of its duties as Back-up Servicer in an amount equal to the greater of (i) one twelfth ($1/12^{th}$) of the product of the aggregate Discounted Pool Balance as of the Payment Date occurring immediately prior to the related Collection Period (or, in the case of the Initial Payment Date, the Initial Cut-Off Date) and the Back-up Servicer Fee Rate, and (ii) $3,000.00.

"*Back-up Servicer Fee Rate*": 0.065% per annum.

"*Back-up Servicer Fee Schedule*": That certain "Schedule of Fees as Backup Servicer" relating to the LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, 2011-2, dated as of September 29, 2011.

"*Bankruptcy Code*": The United States Bankruptcy Code, Title 11 of the United States Code, as amended from time to time, and any successor statute.

"*Base Premium Rate*": Means 0.70% per annum.

"*Booked Residual*": With respect to any Contract on any date of determination, the residual value of the Equipment subject to such Contract, as reflected in LEAF Commercial Capital, Inc.'s (or an Affiliate's) servicing system on the date such Contract was booked on LEAF Commercial Capital, Inc.'s (or an Affiliate's) servicing system.

"*Book-Entry Notes*": Notes registered in the name of a Security Depository or its nominee as described in Section 2.02(b) of the Indenture.

"*Business Day*": Any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in New York City, the city in which the Servicer is located or the city in which the corporate trust office of the Trustee is located are authorized or obligated by law or executive order to be closed.

"*Calculation Date*": Means, unless the context requires otherwise, the close of business on the last day of a Collection Period.

"*Capitalized Interest Account*": The trust account created and maintained pursuant to Section 13.02 of the Indenture; *provided*, that in no event shall the Capitalized Interest Account be other than an Eligible Account.

"*Class*": With respect to the Notes, the designation of either Class A-1A, Class A-1B, Class A-2, Class B, Class C, Class D, Class E-1 or Class E-2, with the specific senior or subordinated rights related to such designation as are identified in the Indenture.

"*Class A Buyout Notice*": Has the meaning assigned in Section 6.16 of the Indenture.

"*Class A Buyout Price*": Has the meaning assigned in Section 6.16 of the Indenture.

"*Class A Insurance Policy*": Means the financial guaranty insurance policy issued by the Class A Note Insurer solely with respect to the Class A Notes and having policy number 93091.

"*Class A Note Insurer*": Assured Guaranty Corp., a Maryland domiciled insurance company.

"*Class A Note Insurer Default*": The occurrence and continuance of any one or more of the following events:

(a) the failure by the Class A Note Insurer to make a payment under the Class A Insurance Policy in accordance with its terms and such failure shall have continued for two (2) Business Days after the date due;

(b) the Class A Note Insurer shall (A) file a petition or commences a case or proceeding under any provision or chapter of the Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, liquidation or reorganization, (B) make a general assignment for the benefit of its creditors, or (C) have an order for relief entered against it under the Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, liquidation or reorganization, which is final and non-appealable; or

(c) a court of competent jurisdiction, the New York Department of Insurance or any other competent regulatory authority shall have entered a final and non-appealable order, judgment or decree (i) appointing a custodian, trustee, agent or receiver for the Class A Note Insurer or for all or any material portion of its property or (ii) authorizing the taking of possession by a custodian, trustee, agent or receiver of the Class A Note Insurer (or the taking of possession of all or any material portion of the property of the Class A Note Insurer).

"*Class A Note Insurer Premium*": For any Payment Date, the "Premium Amount" as defined in, and payable at the Base Premium Rate plus, if an Event of Default has occurred and is continuing, at the Default Premium Rate, to the Class A Note Insurer under, the Premium Letter.

"*Class A Noteholder*": A Holder of any Class A Notes.

"*Class A Notes*": Means the Class A-1A Notes, the Class A-1B Notes and the Class A-2 Notes.

"*Class A Obligations*": Means (i) all amounts owed to the Class A Noteholders and the Class A Note Insurer under the Transaction Documents and (ii) the obligation to surrender the Class A Insurance Policy for cancellation upon payment of the amounts described in the foregoing clause (i); *provided that*, for purposes of any provision in any Transaction Document that requires the consent of the Class A Note Insurer when Class A Obligations remain outstanding, if the Class A Insurance Policy has been cancelled pursuant to, and in compliance with the provisions of, Section 6.16 of the Indenture, for purposes of such provision, no Class A Obligations shall be considered outstanding with respect to the Class A Note Insurer.

**"***Class A Scheduled Payments*": (a) for any Payment Date an amount equal to interest accrued on the Class A Notes during the related Interest Accrual Period at the applicable Note Rate; (b) on the Stated Maturity Date for the Class A-1A Notes, an amount equal to the Outstanding Note Balance of all outstanding Class A-1A Notes as of the opening of business on such Payment Date; (c) on the Stated Maturity Date for the Class A-1B Notes, an amount equal to the Outstanding Note Balance of all outstanding Class A-1B Notes as of the opening of business on such Payment Date; and (d) on Stated Maturity Date for the Class A-2 Notes, an amount equal to the Outstanding Note Balance of all outstanding Class A-2 Notes as of the opening of business on such Payment Date. Class A Scheduled Payments do not include payments which become due on an accelerated basis as a result of (i) a default by the Issuer, (ii) an election by the Issuer to pay principal on an accelerated basis, (iii) the acceleration of the maturity of the Class A Notes or the occurrence of an Event of Default or any other default under the Indenture or the Insurance Agreement, (iv) any mandatory or optional redemption or (v) any other cause, unless the Class A Note Insurer elects, in its sole discretion, to pay in whole or in part such principal due upon acceleration, together with any accrued interest to the date of acceleration (in which event Class A Scheduled Payments shall include such accelerated payments as, when and to the extent so elected by the Class A Note Insurer). In the event the

Class A Note Insurer does not so elect, following any acceleration of the Class A Notes, the Class A Insurance Policy will continue to guarantee Class A Scheduled Payments due on the Class A Notes in accordance with its original terms. Class A Scheduled Payments will not include: (x) any portion of the Class A Note Interest due to Class A Noteholders because the appropriate notice and certificate for payment in proper form was not timely received by the Class A Note Insurer; (y) any portion of the Class A Note Interest due to Class A Noteholders representing interest on any past due Class A Note Interest to the extent such interest accrues from and after the date that the Class A Note Insurer has paid such past due Class A Note Interest; and (z) any payment of redemption price to be paid in respect of the Class A Notes unless the Class A Note Insurer elects, in its sole discretion, to pay any such amount in whole or in part. Class A Scheduled Payments also do not include any amounts owed to the Issuer, the Transferor, the Servicer, or any Affiliate of the Issuer, the Transferor, or the Servicer. Class A Scheduled Payments shall not include any amounts due in respect of the Class A Notes attributable to any increase in interest rate, penalty or other sum payable by the Issuer by reason of (i) any default or event of default in respect of the Class A Scheduled Payments due on the Class A Notes, or (ii) any deterioration of the creditworthiness of the Issuer, nor will Class A Scheduled Payments include, nor will coverage be provided under the Class A Insurance Policy in respect of, any taxes, withholding or other charge imposed by any governmental authority due in connection with the payment of any Class A Scheduled Payment to a Class A Noteholder. Class A Scheduled Payments do not include payments of principal or interest on the Class A Notes which payments have been received by the Trustee for payment thereof in accordance with the Indenture or under the Class A Insurance Policy but which have not been paid to any Class A Noteholders as a result of the insolvency, misconduct or negligence of the Trustee.

"*Class A-1 Noteholder*": A Holder of Class A-1 Notes.

"*Class A-1 Notes*": Means the Class A-1A Notes and the Class A-1B Notes.

"*Class A-1A Noteholder*": A Holder of Class A-1A Notes.

"*Class A-1A Notes*": The Equipment Contract Backed Notes, Series 2011-2, Class A-1A issued by LEAF Receivables Funding 7, LLC pursuant to the Indenture, with an Initial Note Balance of $15,000,000.

"*Class A-1B Noteholder*": A Holder of Class A-1B Notes.

"*Class A-1B Notes*": The Equipment Contract Backed Notes, Series 2011-2, Class A-1B issued by LEAF Receivables Funding 7, LLC pursuant to the Indenture, with an Initial Note Balance of $5,000,000.

"*Class A-2 Noteholder*": A Holder of Class A-2 Notes.

"*Class A-2 Notes*": The Equipment Contract Backed Notes, Series 2011-2, Class A-2 issued by LEAF Receivables Funding 7, LLC pursuant to the Indenture, with an Initial Note Balance of $61,995,000.

"*Class B Noteholder*": A Holder of Class B Notes.

"*Class B Notes*": The Equipment Contract Backed Notes, Series 2011-2, Class B issued by LEAF Receivables Funding 7, LLC pursuant to the Indenture, with an Initial Note Balance of $5,403,000.

"*Class C Noteholder*": A Holder of Class C Notes.

"*Class C Notes*": The Equipment Contract Backed Notes, Series 2011-2, Class C issued by LEAF Receivables Funding 7, LLC pursuant to the Indenture, with an Initial Note Balance of $6,907,000.

"*Class D Noteholder*": A Holder of Class D Notes.

"*Class D Notes*": The Equipment Contract Backed Notes, Series 2011-2, Class D issued by LEAF Receivables Funding 7, LLC pursuant to the Indenture, with an Initial Note Balance of $3,119,000.

"*Class E Noteholder*": A Holder of Class E Notes.

"*Class E Notes*": Means the Class E-1 Notes and the Class E-2 Notes.

"*Class E-1 Notes*": The Equipment Contract Backed Notes, Series 2011-2, Class E-1 issued by LEAF Receivables Funding 7, LLC pursuant to the Indenture, with an Initial Note Balance of $4,234,000.

"*Class E-2 Notes*": The Equipment Contract Backed Notes, Series 2011-2, Class E-2 issued by LEAF Receivables Funding 7, LLC pursuant to the Indenture, with an Initial Note Balance of $3,342,000.

"*Closing Date*": October 28, 2011.

"*Code*": The Internal Revenue Code of 1986, as amended.

"*Co-Trustee*": Has the meaning set forth in Section 7.12 of the Indenture.

"*Collateral*": Has the meaning set forth in the Granting Clause of the Indenture.

"*Collateral Purchase Notice Date*": Has the meaning assigned in Section 6.18(c) of the Indenture.

"*Collection Account*": The segregated trust accounts and any related sub-accounts created and maintained pursuant to Section 13.02 of the Indenture; *provided* that in no event shall the Collection Account be other than an Eligible Account.

"*Collection Costs*": With respect to any Contract and subject to the Servicer's standard of care set forth in Section 3.02 of the Servicing Agreement, reasonable out-of-pocket costs and expenses incurred by the Servicer (including reasonable attorney's fees and out-of-pocket expenses) and payable to Persons other than Affiliates of the Servicer in connection with the realization, attempted realization or enforcement of rights and remedies upon such Contract and as further described in Section 3.08 of the Servicing Agreement. For the avoidance of doubt, any Collection Costs applied to reduce Recoveries shall, to the extent of such reductions, be deemed to have been reimbursed and are no longer outstanding.

"*Collection Period*": With respect to any Payment Date, the immediately preceding calendar month.

"*Collections*": As of any determination date, the sum of all amounts collected during a Collection Period (including Advance Payments which are due during such Collection Period but were collected by the Servicer during the preceding Collection Period) under or in respect of the Contract Assets, including, without limitation, all amounts consisting of Scheduled Payments, Contract Repurchase Prices, Guaranty Amounts, Insurance Proceeds and other Recoveries and Residual Receipts, but excluding any amounts consisting of Security Deposits.

"*Contract*": As of any date of determination, a lease (including the master lease, if applicable), a loan, a leveraged lease loan, conditional sale or similar equipment finance contract conveyed on an Acquisition Date by the Transferor to the Issuer pursuant to the Purchase and Contribution Agreement and pledged to the Trustee in accordance with the Transaction Documents and including any substitutions therefor; *provided* that, from and after the date that such Contract is repurchased, substituted or released from the lien of the Indenture, each in accordance with the requirements of the Transaction Documents, such Contract shall no longer constitute a "Contract".

"*Contract Assets*": Collectively, as of any date of determination, (a) each Contract that is listed on the Contract Schedule from time to time, (b) all Receivables related thereto, (c) the interest of the Issuer in the Equipment related thereto, (d) the related Contract Files, (e) all other Related Security, and (f) any and all income and proceeds of the foregoing.

"*Contract File*": With respect to each Contract, the following documentation (unless otherwise permitted by the Control Party): (a) the one and only executed original counterpart of such Contract (bearing the original signature of an employee of the relevant Originator, or if the contract was not originated by the relevant Originator, the originator thereof, together with an original or facsimile copy of the signature of the lessee) in the Servicer's possession, or if the LEAF Parties are not in possession of such original, a machine copy thereof certified by an officer of the Servicer or the relevant Originator that such copy is a true and complete copy thereof; (b) copies of all UCC financing statements required to be filed to perfect the security interest in the related Equipment and the Related Security related thereto (except with respect to a Contract related to Equipment that had an original equipment cost at origination of less than (A) if such Contract is a secured loan or finance lease that provides for a $1 purchase option, $25,000, or (B) if such Contract provides for a "fair market value" purchase option, $50,000); and (c) copies of any additional documents (other than Servicing Documents) that the Servicer keeps on file with respect to such Contract, including copies of an Insurance Policy, if any, evidence of insurance, if any, and any other copies of documents evidencing or related to any Insurance Policy with respect to such Contract.

"*Contract Repurchase Price*": Means, with respect to any Contract repurchased by the Transferor pursuant to the Purchase and Contribution Agreement or by the Servicer pursuant to the Servicing Agreement or removed from the Collateral by the Issuer pursuant to the Indenture, the sum of (a) the Discounted Contract Balance (computed without giving effect to clause (c) of the definition of Discounted Contract Balance and without duplication of amounts) of the related Contract on the date of determination on or immediately preceding the date when the Contract is removed or repurchased, plus (b) the product of (i) 30% and (ii) the discounted Booked Residual relating to such Contract (computed using a discount rate of 5.00% per annum and assuming such Booked Residual is received six months from the end of such Contract term), minus (c) the sum of (i) the Discounted Contract Balance of any Contract provided in substitution therefor plus (ii) the product of (i) the Booked Residual relating to such Contract, (ii) 30% and (iii) a discount rate of 5.00% per annum (assuming such Booked Residual is received six months from the end of such Contract term).

"*Contract Schedule*": The list of Contracts that are the subject of the transactions contemplated by the Transaction Documents, which list shall include (a) those Contracts listed on the Assignment Agreement delivered on the Closing Date and attached to the Indenture as Schedule I plus (b) any Contracts listed on an Amendment to the Contract Schedule as a result of the addition of any Substitute Contract or Additional Contract listed on any Assignment Agreement delivered after the Closing Date, less (c) any Contracts deleted as a result of a repurchase, substitution therefor, or release thereof pursuant to the Transaction Documents. The Contract Schedule shall include with respect to each Contract: (A) the LEAF Contract Number; (B) the name of the Obligor; (C) the State of the Obligor's billing address; (D) the Discounted Contract Balance as of the related Cut-Off Date; (E) whether such Contract is a Delinquent Contract; (F) the remaining term; and (G) the original cost of the Equipment (but the Custodian need not verify such original cost). The Contract Schedule shall also include with respect to each Substitute Contract: (A) the LEAF Contract Number of the Contract being replaced and (B) the Discounted Contract Balance of the Contract being replaced as of the related Cut-Off Date. The Contract Schedule kept by the Trustee at its Corporate Trust Office shall be the definitive Contract Schedule for all purposes of the Indenture, absent manifest error (in which case the Contract Schedule shall be all schedules attached to any Officer's Certificate delivered by the Servicer or the Issuer, to the Trustee relating to the Contract Schedule).

"*Control Party*": Means (a) so long as any Class A Notes are outstanding or any Class A Note Insurer Premiums or Reimbursement Amounts owing to the Class A Note Insurer remain unsatisfied, (i) unless a Class A Note Insurer Default has occurred and is continuing, the Class A Note Insurer, or (ii) during the continuation of a Class A Note Insurer Default, the Class A Noteholders representing 66-2/3% of the Outstanding Note Balance of the Class A Notes, (b) after the Class A Notes have been paid in full and all accrued and unpaid Class A Note Insurer Premiums and Reimbursement Amounts owing to the Class A Note Insurer have been paid in full and for so long as any Class B Notes remain outstanding, the Class B Noteholders representing 66-2/3% of the Outstanding Note Balance of the Class B Notes, (c) after the Class A Notes and the Class B Notes have been paid in full and all accrued and unpaid Class A Note Insurer Premiums and Reimbursement Amounts owing to the Class A Note Insurer have been paid in full and for so long as any Class C Notes remain outstanding, the Class C Noteholders representing 66-2/3% of the Outstanding Note Balance of the Class C Notes, (d) after the Class A Notes, the Class B Notes, and the Class C Notes have been paid in full and all accrued and unpaid Class A Note Insurer Premiums and Reimbursement Amounts owing to the Class A Note Insurer have been paid in full and for so long as any Class D Notes remain outstanding, the Class D Noteholders representing 66-2/3% of the Outstanding Note Balance of the Class D Notes, (e) after the Class A Notes, the Class B Notes, the Class C

Notes, and the Class D Notes have been paid in full and all accrued and unpaid Class A Note Insurer Premiums and Reimbursement Amounts owing to the Class A Note Insurer have been paid in full and for so long as any Class E-1 Notes remain outstanding, the Class E-1 Noteholders representing 66-2/3% of the Outstanding Note Balance of the Class E-1 Notes, or (f) after the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E-1 Notes have been paid in full and all accrued and unpaid Class A Note Insurer Premiums and Reimbursement Amounts owing to the Class A Note Insurer have been paid in full and for so long as any Class E-2 Notes remain outstanding, the Class E-2 Noteholders representing 66-2/3% of the Outstanding Note Balance of the Class E-2 Notes.

"*Conveyed Assets*": Has the meaning set forth in Section 2.1(a) of the Purchase and Contribution Agreement.

"*Corporate Trust Office*": The designated corporate trust office of the Trustee located, at the time of the execution of the Indenture at 60 Livingston Avenue, EP-MN-WS3D, St. Paul, MN 55107, Attention: LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, or at such other address as the Trustee may designate from time to time by notice to the parties to the Transaction Documents, or the principal corporate trust office of any permitted successor Trustee under the Indenture.

"*Credit and Collection Policies*": Means collectively, the written collection and servicing policies of the Servicer and the Servicer's Underwriting Guidelines, as in effect on the Closing Date, copies of each of which were delivered to the Back-up Servicer and the Class A Note Insurer prior to the Closing Date, as amended with prior written consent of the Control Party (in the case of material amendments) from time to time in accordance with Section 3.01(c)(ix) of the Servicing Agreement; *provided* that, if LEAF Commercial Capital, Inc. (or an Affiliate) is not the Servicer, the term "Credit and Collection Policies" shall mean the written collection and servicing procedures of such successor Servicer (which shall, at all times, be the standard industry credit and collection practice used by servicing companies of comparable size and experience in connection with loans and leases of the type transferred or pledged under the Indenture).

"*Cumulative Net Loss Trigger Event*": Has the meaning set forth in Section 6.01(a)(ix) of the Servicing Agreement.

"*Cumulative Net Loss Percentage*": Means, with respect to any Collection Period, the percentage equivalent of a fraction, (i) the numerator of which is the excess of (a) the Discounted Contract Balance (immediately prior to becoming a Defaulted Contract) of all Contracts that became Defaulted Contracts during such Collection Period and all prior Collection Periods and remain Defaulted Contracts over (b) the aggregate amount of all Recoveries collected by the Servicer with respect to such Defaulted Contracts and (ii) the denominator of which is the sum of the Discounted Contract Balances of the Initial Contracts as of the Initial Cut-Off Date and of the Additional Contracts as of their respective Cut-Off Dates.

"*Custodian*": Initially means U.S. Bank National Association, or such other party as is appointed in accordance with Article VIII of the Indenture to act as custodian to receive, inventory and maintain possession of the Contract Files in accordance with the requirements of the Indenture.

"*Custodian Certificate*": The certificate, substantially in the form of Exhibit G attached to the Indenture, delivered by the Custodian to the Trustee and the Issuer pursuant to Section 4.03 of the Indenture.

"*Custodian Fee*": Means the monthly fee payable on each Payment Date to the Custodian in an amount equal to the greater of (i) $60.00 and (ii) the actual per file fees, based on the Custodian's schedule of fees then in effect, incurred during the related Collection Period with respect to activities involving the Contract Assets during such Collection Period, as further described in the Custodian Fee Schedule.

"*Custodian Fee Schedule*": That certain "Schedule of Fees as Custodian" relating to the LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, 2011-2, dated as of September 29, 2011.

"*Cut-Off Date*": Means, with respect to the Initial Contracts, the Initial Cut-Off Date, and with respect to each Substitute Contract and Additional Contract, the close of business on the last day of the calendar month immediately preceding the calendar month in which such Substitute Contract or Additional Contract is pledged to the Trustee.

"*DBRS*": DBRS, Inc.

"*Default*": Any occurrence or circumstance which with notice or the lapse of time or both would become an Event of Default, unless any such particular occurrence or circumstance is waived as a "Default" in writing in accordance with the provisions of the Indenture; *provided* that, unless and until any such waiver is given, a "Default" shall be deemed to exist for all purposes under the Transaction Documents, even if the occurrence or circumstance giving rise to such Default is no longer continuing or has been cured.

"*Default Notice Date*": Has the meaning set forth in Section 6.16 of the Indenture.

"*Default Premium Rate*": Has the meaning set forth in the Premium Letter.

"*Defaulted Contract*": Any Contract: (a) as to which an Insolvency Event has occurred with respect to the Obligor where the related lease has been rejected in the Obligor's bankruptcy proceedings, (b) all or any portion of which has been or should have been, in accordance with the Credit and Collection Policies, written off on the Servicer's books as uncollectible, or (c) as to which more than 10% of a Scheduled Payment remains unpaid for 181 days or more from the original due date for such payment, without regard to any Servicer Advance, provided that a Contract shall no longer be a Defaulted Contract for any purpose of the Transaction Documents, upon the cure of the condition or event which caused it to be a Defaulted Contract.

"*Deferred Interest*": Has the meaning set forth in the definition of Note Current Interest.

"*Definitive Notes*": Has the meaning set forth in Section 2.02(c) of the Indenture.

"*Delinquent Contract*": Any Contract (a) as to which more than 10% of a Scheduled Payment was not received by the Servicer within sixty-one (61) days after the original due date for such Scheduled Payment, without regard to any Servicer Advance and (b) that is not a Defaulted Contract.

"*Delinquency Ratio*": Means, with respect to any Determination Date, the quotient, expressed as a percentage, of (a) the aggregate Discounted Contract Balances of all Delinquent Contracts determined as of the end of the related Collection Period, divided by (b) the aggregate Discounted Contract Balances of all Contracts as of the last day of the related Collection Period.

"*Determination Date*": With respect to any Payment Date, a date which is the eleventh day of the calendar month in which such Payment Date occurs, or if such day is not a Business Day, the immediately preceding Business Day.

"*Discount Rate*": 5.00% per annum.

"*Discounted Contract Balance*": Means, with respect to any Contract, on any date of determination, the sum of the present value of all of the payments becoming or remaining due under such Contract after the end of the prior Collection Period, discounted monthly at the Discount Rate assuming (a) Scheduled Payments are due on the last day of each Collection Period in which a Scheduled Payment is due; (b) Scheduled Payments are discounted on a monthly basis using a 30-day month and a 360-day year; and (c) Scheduled Payments are discounted to the last day of the Collection Period prior to the Determination Date; provided, however, that the Discounted Contract Balance of any Defaulted Contract, Contract with respect to which a prepayment in full has been made, Disposed Contract or Contract purchased by the Transferor pursuant to the Purchase and Contribution Agreement shall be equal to zero.

"*Discounted Pool Balance*": Means, as determined on any date of determination, the sum of (a) the Discounted Contract Balances of all Contracts and (b) the discounted Residual Receipts of all Contracts (assuming (1) such Residual Receipts are received six months from the end of the related Contract term, (2) the collection rate for Residual Receipts is equal to 30% of the Issuer's related Booked Residual on the related residual payment date and (3) a discount rate of 5.00% per annum).

In connection with all calculations required to be made pursuant to the Transaction Documents with respect to the determination of the Discounted Pool Balance on any determination date, the discounted Residual Receipts for each Contract shall be calculated assuming: (a) the Residual Receipts are discounted on a monthly basis using a 30-day month and a 360-day year and (b) the Residual Receipts are discounted to the last day of the Collection Period prior to the determination date.

"*Disposed Contract*": Means, with respect to any Collection Period, a Contract (other than a Defaulted Contract) for which either (a) all Scheduled Payments and Residual Receipts with respect to such Contract have been received or (b) its initial term has expired and the residual value of the related Equipment has been determined to be zero by the Servicer in accordance with the Servicer's customary servicing procedures; *provided, however*, that if four successive months have elapsed after the expiration of the initial term without the Servicer receiving all Scheduled Payments and any payment towards Residual Receipts with respect to such Contract, such Contract shall be deemed to be a Disposed Contract. Once a Contract is a Disposed Contract, it shall be released to the initial Servicer, or if the initial Servicer is no longer the Servicer, to the Issuer; *provided*, however, that in the event that any payment in respect of a Disposed Contract (including Residual Receipts) is received, such payment shall constitute Collections belonging to the Issuer and continue to be forwarded to the Collection Account.

"*DTC*": Means The Depository Trust Company, a New York corporation and its successors and assigns.

"*Due Date*": With respect to each Contract, each date on which a Scheduled Payment is due thereunder.

"*Early Termination Contract*": Any Contract with respect to which the Servicer, in accordance with the Servicing Agreement, has allowed the Obligor to prepay or terminate early for any reason including, but not limited to, trade-in, upgrade, or declaration of obsolescence or surplus status relating to any of the related Equipment.

"*EBITDA*": For LEAF Commercial Capital, Inc. and its consolidated subsidiaries, for any applicable period, without duplication for any item set forth below, the sum of net income, plus, to the extent deducted in determining net income, the sum of amounts attributable to (a) Interest Expense, (b) income tax expense, (c) depreciation, (d) amortization and (e) interest on subordinated debt and plus or minus any mark-to-market gains or losses.

"*Electronic Ledger*": Means the electronic master record of the Contracts.

"*Eligible Account*": A segregated trust account or accounts maintained with the corporate trust department of a federal or state-chartered depository institution or trust company whose long-term unsecured debt obligations are rated at least AA- by S & P, at least Aa3 by Moody's and at least AA(low) by DBRS (if rated by DBRS) and which has a minimum capital and surplus of not less than $100,000,000.

"*Eligible Contract*": Means, as of the applicable Acquisition Date, a Contract that satisfies the representations and warranties set forth in the Purchase and Contribution Agreement and in the Servicing Agreement.

"*Eligible Investments*": Any and all of the following:

(a) direct obligations of, and obligations fully guaranteed by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America;

(b) (i) demand and time deposits in, certificates of deposit of, banker's acceptances issued by or federal funds sold by any depository institution or trust company (including the Trustee or its agent acting in their respective commercial capacities) incorporated under the laws of the United States of America or any State thereof and subject to supervision and examination by federal and/or state authorities, *provided* that, at the time of such investment or contractual commitment providing for such investment, such depository institution or trust company has a short term unsecured debt rating in the highest available rating categories of each of S & P, Fitch, and each Rating Agency (if rated by such Rating Agency) or such lower rating as to which the Rating Agency Condition is satisfied, *provided further* that each such investment has an original maturity of no more than two hundred seventy (270) days, and (ii) such demand or time deposit or deposits are fully insured by the Federal Deposit Insurance Corporation;

(c) if the Class A Notes are paid in full and no Reimbursement Amounts are then owing to the Class A Note Insurer, repurchase obligations with a term not to exceed thirty (30) days with respect to any security described in clause (a) above and entered into with a depository institution or trust company (acting as a principal) rated in the highest available short term rating category by S & P, Fitch and each Rating Agency (if rated by such Rating Agency) at the time of such investment; *provided* that collateral transferred pursuant to such repurchase obligation must be of the type described in clause (a) above and must (i) be valued weekly at current market price plus accrued interest, (ii) pursuant to such valuation, equal, at all times, one hundred five percent (105%) of the cash transferred by the Trustee in exchange for such collateral and (iii) be delivered to the Trustee or, if the Trustee is supplying the collateral, an agent for the Trustee, in such a manner as to accomplish perfection of a security interest in the collateral by possession of certificated securities;

(d) commercial paper having an original maturity of less than two hundred seventy (270) days and issued by any corporation incorporated under the laws of the United States of America or any State thereof which is unaffiliated with any LEAF Party and has a short term unsecured debt rating in the highest available rating category of each of S & P, Fitch and each Rating Agency (if rated by such Rating Agency) at the time of such investment;

(e) if the Class A Notes are paid in full and no Reimbursement Amounts are then owing to the Class A Note Insurer, a guaranteed investment contract rated in the highest available rating category by each of S & P, Fitch and each Rating Agency (if rated by such Rating Agency) or issued by an insurance company or other corporation having a long term unsecured debt rating in the highest available rating category of each of S & P, Fitch and each Rating Agency (if rated by such Rating Agency) at the time of such investment; and

(f) money market funds having ratings in the highest available rating categories of each of S & P, Fitch and each Rating Agency (if rated by such Rating Agency) at the time of such investment (which shall include money market funds for which the Trustee or an Affiliate thereof is an advisor); any such money market funds which provide for demand withdrawals being conclusively deemed to satisfy any maturity requirement for Eligible Investments set forth in the Indenture.

The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, the Eligible Investments listed above. All Eligible Investments shall be made in the name of the Trustee for the benefit of the Secured Parties and no such Eligible Investments shall mature later than the Business Day preceding the next following Payment Date as required under Section 13.02(c) of the Indenture.

"*Equipment*": The equipment and other personal property (tangible or intangible) of the type contemplated by the Credit and Collection Policies and that is being financed under a Contract.

"*Equity Interest*": The one and only equity membership interest in the Issuer, entitling the owner thereof to one hundred percent (100%) of the capital, profits, losses and distributions in and from the Issuer, and one hundred percent (100%) of voting rights of an equity member.

"*ERISA*": The Employee Retirement Income Security Act of 1974, as amended or any successor statute thereto.

"*ERISA Affiliate*": Means any entity, whether or not incorporated, that, together with the Seller, is a member of any group of organizations described in Section 414(b), (c), (m) or (o) of the Code.

"*Event of Default*": Has the meaning set forth in Section 6.01 of the Indenture.

"*Event of Servicing Termination*": Has the meaning set forth in Section 6.01(a) of the Servicing Agreement.

"*Exception Report*": Any report by the Custodian identifying exceptions regarding Contract Assets and, if applicable, attached as an exhibit to the Custodian Certificate.

"*Existing Indebtedness*": Any indebtedness identified in an Assignment Agreement that is secured in whole or in part by Contract Assets being acquired by the Issuer, and paid off or otherwise released, as of the related Acquisition Date.

"*Final Due Date*": With respect to each Contract, the final Due Date thereunder.

"*Final Order*": Means a final order of a court exercising proper jurisdiction in an insolvency proceeding with respect to which the appeal period has expired without an appeal having been filed.

"*Fiscal Quarter*": Each quarter of each fiscal year, which shall be the three (3) months ended March 31, June 30, September 30 and December 31, unless the Servicer has otherwise notified the Trustee, the Back-up Servicer and the Control Party in writing prior to a change in its fiscal year.

"*Fitch*": Means Fitch, Inc. and its successors in interest.

"*GAAP*": Generally accepted accounting principles as in effect in the United States as may be in place from time to time, applied on a consistent basis.

"*Global Notes*": Means the Rule 144A Global Note, beneficial ownership and transfers of which shall be made through book entries by the Security Depository.

"*Governmental Authority*": Means any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over any LEAF Party or any of its properties.

"*Grant*": To grant, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, mortgage, pledge, create and grant a security interest in and right of set-off against, deposit, set over and confirm. A Grant in any collateral comprising the Collateral or of any instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim, collect, receive and receipt for payments in respect of the Contract Assets, or any other payment due thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring proceedings in the name of the granting party or otherwise, and generally to do and receive anything which the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"*Guaranty Amounts*": Any amounts paid by a guarantor (who is an Obligor) of a particular Contract.

"*Impairment*" shall mean, as of each Payment Date (as calculated immediately prior to the distributions pursuant to Section 13.03(c) or Section 13.03(d), as applicable, of the Indenture), an amount, if any, equal to the positive difference of (x) the Aggregate Outstanding Note Balance minus (y) the sum of (i) the Discounted Pool Balance and (ii) amounts on deposit in the Reserve Account, the Prefunding Account and the Capitalized Interest Account. Impairment with respect to each Class of Subordinated Notes as of each Payment Date shall be allocated, *first*, to the Class E-2 Notes, in an amount equal to the lesser of the Outstanding Note Balance of the Class E-2 Notes and the Impairment, *second*, to the Class E-1 Notes, in an amount equal to the lesser of the Outstanding Note Balance of the Class E-1 Notes and the Impairment, *third*, to the Class D Notes, in an amount equal to the lesser of the Outstanding Note Balance of the Class D Notes and the Impairment not yet allocated on such Payment Date, *fourth*, to the Class C Notes, in an amount equal to the lesser of the Outstanding Note Balance of the Class C Notes and the Impairment not yet allocated on such Payment Date, and *fifth*, to the Class B Notes, in an amount equal to the lesser of the Outstanding Note Balance of the Class B Notes and the Impairment not yet allocated on such Payment Date. For the avoidance of doubt, no Impairment shall be allocated to the Class A Notes, and the allocation of Impairment to a Class of Subordinated Notes shall be used only for the calculation of Note Current Interest with respect to such Class of Subordinated Notes and shall not reduce the Outstanding Note Balance of such Class of Subordinated Notes.

"*Indemnification Agreement*": The Indemnification Agreement, dated as of October 28, 2011, among the Class A Note Insurer, the Transferor, the Servicer, the Issuer, and the Initial Purchaser.

"*Indenture*": The Indenture, dated as of September 7, 2011, among the Issuer, the Trustee and the Custodian, and any permitted supplements or amendments thereto.

"*Independent*": When used with respect to any specified Person means such a Person, who (a) is in fact independent of the Issuer and the Servicer, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer or the Servicer or in any Affiliate thereof, (c) is not connected with the Issuer or the Servicer as an officer, employee, promoter, underwriter, trustee, partner, director, customer, supplier or person performing similar functions, (d) is not a person controlling or under common control with any such stockholder, customer, supplier or other person, and (e) is not a member of the immediate family of any such stockholder, director, officer, employee, customer, supplier or other person. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be identified by an Issuer Order, and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"*Independent Accountants*": Ernst & Young LLP or any other independent certified public accountants of recognized national standing.

"*Initial Contracts*": Means those Contracts transferred to the Issuer and pledged to the Trustee on the Closing Date.

"*Initial Cut-Off Date*": Means October 1, 2011.

"*Initial Discounted Pool Balance*": Means the Discounted Pool Balance as of the Initial Cut-Off Date.

"*Initial Note Balance*": Means, with respect to any Class of Notes, the unpaid principal balance of such Class, as applicable, as of the Closing Date.

"*Initial Payment Date*" and "*First Payment Date*": November 15, 2011.

"*Initial Purchaser*": Means Guggenheim Securities, LLC.

"*Initial Required Reserve Account Deposit*": Has the meaning assigned to it in Section 13.04(a) of the Indenture.

"*Insolvency Event*": With respect to a specified Person, shall mean either of the following events: (a) a case or proceeding shall have been commenced against such Person seeking a decree or order in respect of such Person (i) under the Bankruptcy Code, as now constituted or hereafter amended or any other applicable federal, state or foreign bankruptcy, insolvency or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Person or of any substantial part of such Person's

assets, or (iii) ordering the winding-up or liquidation of the affairs of such Person, and such case or proceeding shall remain undismissed or unstayed for sixty (60) days or more or such court shall enter a decree or order granting the relief sought in such case or proceeding; or (b) the commencement by such Person of a voluntary case under the Bankruptcy Code, as now constituted or hereafter amended, or any other applicable federal, state or foreign bankruptcy, insolvency or other similar law, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person for any substantial part of such Person's assets, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

"*Insurance Agreement*": The Insurance and Indemnity Agreement, dated as of October 28, 2011, among the Class A Note Insurer, the Issuer, the Trustee, the Transferor and the Servicer, as amended, supplemented or otherwise modified from time to time.

"*Insurance Policy*": With respect to an item of Equipment and a Contract, any policy of insurance maintained by an Obligor pursuant to such Contract that covers physical damage to the Equipment and general liability (including policies procured by the Servicer on behalf of an Obligor). For the avoidance of doubt, the Class A Insurance Policy shall not constitute an Insurance Policy.

"*Insurance Proceeds*": With respect to an item of Equipment, any amount received during the related Collection Period pursuant to an Insurance Policy issued with respect to the related Contract, net of any costs of collecting such amounts not otherwise reimbursed.

"*Insurer*": Any insurance company or other Person providing any Insurance Policy covering Equipment.

"*Interim Delinquency Ratio*": Means, with respect to the first three Determination Dates after the Closing Date, the average of the Delinquency Ratios for such Determination Date and each preceding Determination Date which occurred after the Closing Date.

"*Interest Accrual Period*": With respect to any Payment Date, (i) with respect to each Class of Notes, the period commencing on and including the immediately preceding Payment Date and ending on and including the day immediately preceding such current Payment Date; *provided* that, in the case of the first Interest Accrual Period, such Interest Accrual Period shall commence on the Closing Date, and shall end on the day immediately preceding the Initial Payment Date.

"*Interest Coverage Ratio*": The ratio of EBITDA to Interest Expense for the related fiscal quarter of LEAF Commercial Capital, Inc. (inclusive of any subsidiaries).

"*Interest Expense*": The aggregate interest expense of LEAF Commercial Capital, Inc. and its consolidated subsidiaries (excluding interest on any non-recourse debt), determined in accordance with GAAP, consistently applied, including (without duplication) the portion of

capitalized lease liabilities allocable to interest expense, plus (or minus) the net amount payable (or receivable) under all hedging agreements, minus the sum of any paid-in-kind interest expenses for the related Interest Accrual Period (but excluding any mark-to-market gain or loss on any swap or other hedge transaction).

"*Investment Letter*": Has the meaning set forth in Section 2.06(e)(ii)(B) of the Indenture.

"*Issuer*": LEAF Receivables Funding 7, LLC, and its successors and permitted assigns under the Indenture.

"*Issuer Address*": LEAF Receivables Funding 7, LLC, 110 S. Poplar Street, Suite 101, Wilmington, Delaware 19801, facsimile number: 215-640-6363, Attention: Miles Herman, or such other address as is notified in writing to the Issuer, the Trustee, Custodian, Back-up Servicer and the Noteholders not less than thirty (30) days prior to the effectiveness of any change thereof.

"*Issuer Order*" and "*Issuer Request*": A written order or request signed by an authorized officer of the Issuer and delivered to the Trustee.

"*Joinder to Lockbox Intercreditor Agreement*": The joinder agreement to the Lockbox Intercreditor Agreement pursuant to which the Trustee becomes a party to the Lockbox Intercreditor Agreement.

"*LEAF Contract Number*": The number assigned to a Contract by the Servicer, which number is used to identify Contracts and the related Contract Assets for all purposes under the Transaction Documents and the Lockbox Intercreditor Agreement and for all purposes by the Servicer and its Affiliates, including on any Custodian Certificate and any Officer's Certificate delivered by the Servicer or the Issuer, the Contract Schedule, the Monthly Servicing Report and the Contract Files.

"*LEAF Entity*": Means each of the Issuer, the Servicer, the Transferor and LEAF Capital Funding SPE A, LLC.

"*LEAF Party*": Means each of the Issuer, each Originator, the Servicer and the Transferor.

"*Lien*": Any security interest, lien, charge, pledge, equity or encumbrance of any kind other than Permitted Liens.

"*Lockbox*": The post office or other lockbox to which Obligors have been directed to remit payments.

"*Lockbox Account*": The deposit account (account number 153910088597) at the Lockbox Bank in the name of "U.S. Bank NA as Securities Intermediary for LEAF Financial and various lenders" or, if the Lockbox Intercreditor Agreement is terminated or LEAF Commercial Capital, Inc. (or an Affiliate) is no longer the Servicer, such other Lockbox Account as is established by the then Servicer with the consent of the Control Party if the Control Party is the Class A Note Insurer, otherwise with notice to the Control Party.

"*Lockbox Bank*": Means U.S. Bank National Association and its successor in interest or any successor approved in accordance with the Lockbox Intercreditor Agreement.

"*Lockbox Intercreditor Agreement*": The Amended and Restated Lockbox Intercreditor Agreement, dated as of April 18, 2005, among the Lockbox Bank, the Servicer, certain other parties thereto and subsequent parties joined pursuant to the terms thereof (including the Issuer and the Trustee), as amended, supplemented or otherwise modified from time to time.

"*Monthly Servicing Report*": The report prepared by the Servicer pursuant to Section 13.07 of the Indenture and Section 4.01 of the Servicing Agreement, substantially in the form of Exhibit A to the Servicing Agreement.

"*Moody's*": Moody's Investors Service, Inc., and its successors in interest.

"*No-Pay Contract*": Means (i) with respect to any Contract the first Scheduled Payment for which precedes the applicable Acquisition Date, that such first Scheduled Payment has not been received within thirty (30) days of the due date of such first payment and (ii) with respect to any other Contract, that the first Scheduled Payment for such Contract has not been received within sixty (60) days of the due date of such first payment.

"*Noteholder" and "Holder*": The Person in whose name a Note is registered in the Note Register.

"*Note Current Interest*": Means interest accrued during each Interest Accrual Period and payable to the Noteholders of a Class on the related Payment Date; *provided however*, that with respect to each Class of Subordinated Notes and on each Payment Date, interest shall be deemed not to have accrued during the previous Interest Accrual Period on an amount equal to the Impairment of such Class of Subordinated Notes (such interest that is deemed not to have accrued, "*Deferred Interest*"). Notwithstanding the foregoing, if, on any subsequent Payment Date and with respect to each Class of Subordinated Notes, no Impairment is allocated to such Class of Notes, all Deferred Interest for such Class of Subordinated Notes shall be deemed to have accrued during the immediately preceding Interest Accrual Period and be payable on such Payment Date as Note Current Interest.

"*Note Insurance Guaranteed Payment*": Means any "Insured Amount" as such term is defined in the Class A Insurance Policy.

"*Note Interest*": Means, with respect to a Class of Notes and any Payment Date, the sum of the Note Current Interest and any unpaid, overdue interest, if any, for such Class.

"*Note Owner*": Means, with respect to a Book-Entry Note, the Person who is the beneficial owner of such Book-Entry Note, as reflected on the books of the Security Depository or on the books of a Person maintaining an account with such Security Depository (directly as a Security Depository Participant or as an indirect participant, in each case in accordance with the rules of such Security Depository) or the Person who is the beneficial owner of such Book-Entry Note, as reflected in the Note Register in accordance with Section 2.06 of the Indenture.

"*Note Percentage*": Means 90.85%.

"*Note Purchase Agreement*": Means the Note Purchase Agreement, dated October 25, 2011, among the Transferor, the Issuer and the Initial Purchaser.

"*Note Rate*": Means a per annum interest rate for each Class of Notes as set forth in the table below.

| | |
|---|---|
| Class A-1A Notes | 0.40% |
| Class A-1B Notes | 0.50% |
| Class A-2 Notes | 2.40% |
| Class B Notes | 3.80% |
| Class C Notes | 5.00% |
| Class D Notes | 5.00% |
| Class E-1 Notes | 5.50% |
| Class E-2 Notes | 5.50% |

"*Note Register*" and "*Note Registrar*": Have the respective meanings set forth in Section 2.06 of the Indenture.

"*Notes*": Any one or all of the Outstanding Equipment Contract Backed Notes, Series 2011-2, issued by LEAF Receivables Funding 7, LLC pursuant to the Indenture, in an Aggregate Initial Note Balance of $105,000,000, or as the context may require, a specific Class.

"*Obligor*": The borrower or lessee under each Contract, including any guarantor of such Contract (other than any guarantor who is the vendor of the Equipment the subject of such Contract or the Person who originated such Contract), and their respective successors and assigns.

"*Offering Circular*": The Offering Circular, dated October 28, 2011, relating to the initial offering of the Notes.

"*Officer's Certificate*": A certificate signed by the Chairman of the Board, the President, a Vice President, the Treasurer, the Controller, an Assistant Controller, the Secretary, or any Assistant Secretary of the Person on whose behalf the certificate is delivered, and delivered to the Trustee or the Initial Purchaser, as the case may be.

"*One-Time Successor Servicer Fee*": Has the meaning set forth in Section 7.06 of the Servicing Agreement.

*"Opinion of Counsel"*: A written opinion of counsel who may, except as otherwise expressly provided in the Indenture or required by the Control Party, be inside (but only with respect to internal corporate matters) or outside counsel for the Servicer, the Transferor or the Issuer, as applicable, and who shall be reasonably satisfactory to the Control Party and which opinion shall be addressed to the Noteholders, the Class A Note Insurer and/or the Trustee (as required by the applicable terms of the Transaction Documents) and be in form and substance reasonably satisfactory to the Control Party and the Trustee.

*"Optional Redemption"*: Is as defined in Section 11.01 of the Indenture.

*"Originator"*: LEAF Capital Funding, LLC, a Delaware limited liability company, or LEAF Funding, Inc., a Delaware corporation.

*"Outstanding"*: With respect to Notes, as of any date of determination, all Notes theretofore authenticated and delivered under the Indenture except:

(a) Notes previously canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(b) Notes for whose payment money in the necessary amount has been theretofore irrevocably deposited with the Trustee or any Paying Agent (other than the Issuer) in trust for the Holders of such Notes (provided, however, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or any provision therefor, satisfactory to the Trustee, has been made, in accordance with Article XI of the Indenture); and

(c) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by a protected purchaser; *provided* that, for purposes of determining whether the Noteholders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes beneficially owned, directly or indirectly, by the Issuer, any other obligor upon the Notes, the Servicer, any Affiliate of the Issuer or of the Servicer or such other obligor shall be disregarded and deemed not to be outstanding; *provided further* that, in determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only such Notes as a Responsible Officer of the Trustee knows to be so owned shall be so disregarded. For purposes of this definition, beneficial ownership shall be determined in accordance with Rule 13d-3 of the Securities and Exchange Commission, promulgated pursuant to the Securities Exchange Act of 1934, as amended.

Notwithstanding the foregoing, any Class A Note on which any portion of principal or interest has been paid by the Class A Note Insurer pursuant to the Class A Insurance Policy shall be classified as Outstanding until the Class A Note Insurer has been reimbursed in full therefor in accordance with the Insurance Agreement.

*"Outstanding Note Balance"*: With respect to any Class of Notes (including, for purposes of accruing interest thereon, any Notes called for redemption but not yet redeemed), the Initial Note Balance of such Class less the sum of all amounts actually distributed in respect of principal for such Class as of such date.

*"Overcollateralization Balance"*: Means, with respect to any Payment Date, an amount equal to the excess, if an, of: (1) the Discounted Pool Balance as of the last day of the related Collection Period over (2) the Aggregate Outstanding Note Balance as of that Payment Date after giving effect to all principal payments to be made on that Payment Date related to the applicable Target Payment to the extent funds are available for distributions on the Notes after paying all amounts required to be paid prior to principal on the Notes on that Payment Date.

*"Overcollateralization Percentage"*: Means, with respect to any Payment Date, the ratio, expressed as a percentage, of the Overcollateralization Balance to the Initial Discounted Pool Balance.

*"Overconcentration Test"*: Means a test that is satisfied with respect to the Initial Contracts to be purchased by the Issuer on the Closing Date, or with respect to the Additional Contracts to be purchased by the Issuer on an Acquisition Date if each of the following statements would be true immediately after the purchase by the Issuer of such Initial Contracts or such Additional Contracts, as applicable:

(1) The average Discounted Contract Balance of all Contracts (measured as of their respective Cut-Off Dates) does not exceed $30,000.

(2) The sum of the Discounted Contract Balances of all Contracts (measured as of their respective Cut-Off Dates) related to any one Obligor does not exceed $850,000.

(3) The sum of the Discounted Contract Balances (measured as of their respective Cut-Off Dates) of all Contracts arising from the largest ten (10) Obligors in the aggregate does not exceed 5.00% of the aggregate Discounted Contract Balances (measured as of the Cut-Off Date for each Contract).

(4) The weighted average original term of all Contracts (measured as of their respective Cut-Off Dates) does not exceed fifty-three (53) months.

(5) The sum of the Discounted Contract Balances of all Contracts (measured as of their respective Cut-Off Dates) with respect to which the related Equipment is located in New York does not exceed 16.00% of the aggregate Discounted Contract Balances (measured as of the Cut-Off Date for each Contract).

(6) The sum of the Discounted Contract Balances of all Contracts (measured as of their respective Cut-Off Dates) with respect to which the related Equipment is located in California does not exceed 14.00% of the aggregate Discounted Contract Balances (measured as of the Cut-Off Date for each Contract).

(7) The sum of the Discounted Contract Balances of all Contracts (measured as of their respective Cut-Off Dates) with respect to which the related Equipment is located in New Jersey does not exceed 10.00% of the aggregate Discounted Contract Balances (measured as of the Cut-Off Date for each Contract).

(8) The sum of the Discounted Contract Balances of all Contracts (measured as of their respective Cut-Off Dates) with respect to which the Scheduled Payments are not due on a monthly basis does not exceed 2.50% of the aggregate Discounted Contract Balances (measured as of the Cut-Off Date for each Contract).

(9) The weighted average Fair Isaac's Small Business Scoring Service credit score of the Obligor (measured as of their respective Cut-Off Dates) on all Contracts is at least 203.

(10) The sum of the Discounted Contract Balances of all Contracts (measured as of their respective Cut-Off Dates) with respect to which the Equipment is office equipment does not exceed 75.00% of the aggregate Discounted Contract Balances (measured as of the Cut-Off Date for each Contract).

(11) The purchase of such Initial Contracts or such Additional Contracts satisfies any other overconcentration test or criteria specified in the Insurance Agreement.

*"Ownership Interest"*: Means, with respect to any Note, any ownership interest in such Note, including any interest in such Note as the Noteholder thereof and any other interest therein, whether direct or indirect, legal or beneficial.

*"Paying Agent"*: The Trustee (or any other Person that meets the eligibility standards for the Trustee set forth in Section 7.08 of the Indenture and that is authorized pursuant to Section 7.15 of the Indenture to pay the principal of or interest on any Notes on behalf of the Issuer).

*"Payment Date"*: The first Payment Date shall be November 15, 2011, and each subsequent Payment Date shall be the 15th day of each month, or if such date is not a Business Day, the business day immediately following such 15th day.

*"Permitted Liens"*: Means (i) liens created under the Indenture in favor of the Trustee for the benefit of the Secured Parties, (ii) Liens created under the Assignment Agreements in favor of the Issuer, (iii) Liens for taxes not yet due and payable and for which adequate reserves are maintained in accordance with GAAP, (iv) mechanics' liens filed on any Equipment that attach after the applicable Cut-Off Date and are not yet due and payable and if unpaid would not materially impair the value of such Equipment, (v) mechanics' liens, property tax liens and other liens arising on the Equipment through an Obligor to the extent the Servicer has determined in good faith in accordance with its Credit and Collection Policies to not make an advance to discharge, and (vi) any Obligor's right to quiet enjoyment and possession of any Equipment under the applicable Contract.

*"Person"*: Any individual, corporation, limited liability company, partnership, association, joint-stock company, trust (including any beneficiary thereof), unincorporated organization or other entity or government or any agency or political subdivision thereof.

*"Plan"*: An "employee benefit plan," as defined in Section 3(3) of ERISA or a "plan" within the meaning of Section 4975(e)(1) of the Code.

"*Preference Amount*": Means any Scheduled Payment avoided as a preference payment under any applicable insolvency law and which is guaranteed under the Class A Insurance Policy.

"*Prefunding Account*": The trust account created and maintained pursuant to Section 13.02 of the Indenture; *provided*, that in no event shall the Prefunding Account be other than an Eligible Account.

"*Prefunding Period*": Means the period beginning on the Closing Date and ending on the earlier of (a) the day immediately preceding the third Payment Date and (b) the occurrence of an Event of Default that results in acceleration of the Notes and is not waived or cured on or before the next Payment Date.

"*Preliminary Offering Circular*": The Preliminary Offering Circular, dated October 25, 2011, relating to the initial offering of the Notes.

"*Premium Letter*": The letter agreement, dated as of the date hereof, among the Issuer, the Transferor, the Servicer, the Trustee and the Class A Note Insurer in connection with the Class A Insurance Policy, as amended, supplemented or otherwise modified from time to time.

"*Prepayment*": With respect to a Collection Period and a Contract (except a Defaulted Contract), (i) the payment by the related Obligor of all remaining Scheduled Payments due on such Contract or (ii) as defined in the Credit and Collection Policies, so long as such amount is designated by the Obligor as a prepayment and the Servicer has consented to such prepayment. Advance Payments and Residual Receipts are not "Prepayments".

"*Prepayment Amount*": In the event that an Obligor requests an upgrade or trade-in of Equipment under a Contract and the Servicer has agreed to such request, the payment by the Servicer of an amount equal to the sum, without duplication, of (i) the Discounted Contract Balance as of the date of reconveyance, (ii) one month's interest thereon at the Discount Rate, (iii) the discounted portion of the Booked Residual for such Contract and (iv) any Scheduled Payments due and outstanding under such Contract that have not been paid by the Obligor, all in connection with the removal of such Equipment and the related Contract from the Collateral.

"*Principal Payment Amount*": Means, with respect to any Payment Date on which principal is to be paid, the sum of (1) the Target Payment and (2) the Additional Amount.

"*Proceeding*": Any suit in equity, action at law or other judicial or administrative proceeding.

"*Purchase and Contribution Agreement*": Means the Purchase and Contribution Agreement, dated as of September 7, 2011, between LEAF Capital Funding, LLC, as seller, and the Issuer, as purchaser.

"*Purchase and Sale Agreement*": Means the Purchase and Sale Agreement, dated as of September 7, 2011, between LEAF Capital Funding SPE A, LLC, as seller, and LEAF Capital Funding, LLC, as purchaser.

"*Purchase Price*": Means, with respect to Contracts sold pursuant to any Assignment Agreement, the payment amount identified in Section 1 of such Assignment Agreement.

"*QIB*": Means a "qualified institutional buyer" within the meaning of Rule 144A.

"*Rating Agencies*": DBRS and Moody's.

"*Rating Agency Condition*": Means, with respect to any action and a Class of Notes, that each Rating Agency which shall have rated such Class shall have been given at least ten (10) Business Days (or such shorter period as is acceptable to such Rating Agency) prior written notice thereof.

"*Receivable*": As of any date of determination, all Scheduled Payments and all other income, payments and proceeds of the Contracts (including Guaranty Amounts, Servicing Charges, Insurance Proceeds and other Recoveries or Residual Receipts) that are (1) collected on or after the applicable Cut-Off Date or (2) Advance Payments collected by the Servicer before the applicable Cut-Off Date but due in Collection Periods commencing on and after the applicable Cut-Off Date, and any Recoveries thereon; *provided* that, from and after the date, if any, on which the related Contract Assets are repurchased in accordance with Section 6.1(a) or Section 6.1(b) of the Purchase and Contribution Agreement or Section 3.09 of the Servicing Agreement, or substituted pursuant to Section 3.04 of the Servicing Agreement, such Receivable shall no longer constitute a "Receivable" for purposes of the Transaction Documents.

"*Record Date*": With respect to each Payment Date, at the close of business on the Business Day immediately preceding such Payment Date; provided however, that the Record Date for any Class of Notes issued as a Definitive Note shall be the close of business on the last Business Day of the calendar month immediately preceding the applicable Payment Date.

"*Recoveries*": For any Collection Period or portion thereof occurring after the date on which any Contract becomes a Defaulted Contract, all amounts received in respect of a Defaulted Contract, including, without limitation, amounts received in connection with the sale or other disposition of the related Equipment, Insurance Proceeds with respect to the related Equipment, legal judgments and settlements, collection agency efforts, or any other payments made by or on behalf of the related Obligor, as reduced by any reasonable out-of-pocket expenses incurred by the Servicer in enforcing such Contract or in liquidating such Equipment, in connection with such Defaulted Contract; provided, that in no event may Recoveries in respect of a Defaulted Contract be less than zero.

"*Redemption Date*": The Payment Date elected pursuant to Section 11.01 of the Indenture for either an Optional Redemption or the Auction Call Redemption or any other Business Day mutually determined by the Issuer, the Noteholders and the Trustee.

"*Redemption Price*": With respect to any Note as of the Redemption Date, the Outstanding Note Balance of the Notes, together with interest accrued thereon to the Redemption Date.

"*Registered Holder*": The Person whose name appears on the Note Register on the applicable Record Date.

"*Reimbursement Amount*": Means on any Payment Date, the sum, without duplication, of (i) all Class A Scheduled Payments previously received by the Trustee from the Class A Note Insurer and not previously repaid to the Class A Note Insurer pursuant to the Indenture, plus (ii) interest accrued on each such Class A Scheduled Payments from the date the Trustee received the related amount to, but not including, such Payment Date that has not previously been repaid to the Class A Note Insurer, plus (iii) all amounts then owed by the Issuer to the Class A Note Insurer under the Insurance Agreement, including amounts owing in respect of reimbursements of amounts paid by the Class A Note Insurer under the Class A Insurance Policy, indemnification, or reimbursement of expenses, but excluding the Class A Note Insurer Premium.

"*Related Security*": With respect to any Contract, all liens, security interests, guarantees, indemnities, warranties, letters of credit and other agreements securing or supporting payment on any Receivable or relating to any Equipment, including, with respect to any Receivables, any "supporting obligations" (as defined in 9-102 of the UCC) therefor, and all rights with respect to any vendors, dealers or manufacturers of the Equipment or other originators, including those arising under private label leases, all rights under any purchase or vendor agreements relating thereto, and all rights of the relevant Originator and its assignees with respect to the Contracts and related Equipment.

"*Release Agreement*": The notice regarding prepayment of Existing Indebtedness and release of related collateral, substantially in the form of Exhibit H attached to the Indenture.

"*Reporting Date*": The 11th day of each month or, if such day is not a Business Day, the next succeeding Business Day.

"*Request for Release*": The request for release of certain specified Contracts, substantially in the form of Exhibit F-1 attached to the Indenture.

"*Reserve Account*": The trust account created and maintained pursuant to Section 13.02 of the Indenture; *provided*, that in no event shall the Reserve Account be other than an Eligible Account.

"*Residual Receipts*": Means, without duplication, (a) all proceeds of the sale of Equipment received by the Servicer at the end of the related Contract, whether to the related Obligor or to a third party, (b) any amounts collected by the Servicer as judgments against an Obligor or others related to the failure of such Obligor to pay any required amounts relating to the Booked Residual under the related Contract or to return the Equipment, (c) all proceeds from renewal payments made for the continued use of the Equipment after the original date of termination of the related Contract plus (d) any amounts not otherwise described above which are received by the Servicer and applied against the Booked Residual of such Contract in accordance with the Servicing Standard, in each case as reduced by any reasonable out-of-pocket expenses incurred by the Servicer in enforcing such Contract or in liquidating such Equipment; *provided*, that in no event may Residual Receipts in respect of a Contract or any Equipment be less than zero.

"*Responsible Officer*": (a) When used with respect to the Trustee or the Back-up Servicer, any officer of the Trustee or the Back-up Servicer, including any Vice President, Assistant Vice President, any Secretary or Assistant Secretary, any trust officer or any other officer of the Trustee or the Back-up Servicer customarily performing functions similar to those performed by any of the above designated officers, and also, with respect to a particular matter, any other officer, to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject and, in each case, having direct responsibility for the administration of the Indenture; and (b) when used with respect to the Servicer (if the Servicer is LEAF Commercial Capital, Inc. or any of its Affiliates) or the Issuer, any of the president, chief financial officer, chief operating officer, chief accounting officer, treasurer or any Vice-President.

"*Rule 17g-5*": Is as defined in Section 7.01(k) of the Indenture.

"*Rule 144A*": Means the rule designated as "Rule 144A" promulgated by the United States Securities and Exchange Commission under the Securities Act.

"*Rule 144A Global Note*": Means the permanent global note, evidencing Notes, in the form of the Notes attached as Exhibits A-1, A-3, A-5, B-1, C-1, D-1, E-1 and E-3 to the Indenture, that is deposited with and registered in the name of the Security Depository or its nominee, representing the Notes sold in reliance on Rule 144A.

"*Rule 144A Information*": Has the meaning set forth in Section 12.02(w) of the Indenture.

"*S & P*": Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and its successors in interest.

"*Sale*": Has the meaning set forth in Section 6.18 of the Indenture.

"*Scheduled Payment*": With respect to a Payment Date and a Contract, the periodic scheduled payment of rent or other payments on a monthly, quarterly, semi-annual or annual basis, in arrears or in advance as set forth in the Contract, and due from the Obligor in the related Collection Period, exclusive of any Servicing Charges and Residual Receipts (which Residual Receipts, for the avoidance of doubt, include all payments due after the Final Due Date for a Contract).

"*Secured Parties*": Means, collectively, the Noteholders and the Class A Note Insurer.

"*Securities Account Control Agreement*": Means the Securities Account Control Agreement, dated as of September 7, 2011, by and between the Issuer and the Trustee, as both securities intermediary and trustee.

"*Securities Act*": The United States Securities Act of 1933, as amended.

"*Securities Intermediary*": Means U.S. Bank National Association in its capacity as Securities Intermediary pursuant to the Securities Account Control Agreement.

"*Security Deposit*": Any amount paid to the Servicer or the relevant Originator and its assigns by an Obligor as a security deposit which has not previously been refunded to such Obligor or applied towards such Obligor's obligations under such Contract.

"*Security Depository*": Initially shall mean DTC, and otherwise shall mean any replacement thereof or successor thereto registered as a "Security Depository" pursuant to Section 17A of the Exchange Act.

"*Security Depository Participant*": Means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Security Depository effects book-entry transfers and pledges of securities deposited with the Security Depository.

"*Seller*": LEAF Capital Funding SPE A, LLC.

"*Senior Debt*": The Aggregate Outstanding Note Balance of LEAF Capital Funding SPE A, LLC less the aggregate Outstanding Note Balance of the Class E-1 Notes and the Class E-2 Notes of LEAF Capital Funding SPE A, LLC plus any other revolving credit facility debt and recourse debt, but excluding any non-recourse term debt.

"*Senior Leverage Ratio*" means, as of the last day of any fiscal quarter of LEAF Commercial Capital, Inc. (inclusive of any subsidiaries), the ratio of Senior Debt to Tangible Net Worth, each as of that date.

"*Servicer*": The servicer of the Contract Assets, which shall be LEAF Commercial Capital, Inc. (or an Affiliate) until such time, if any, as the Back-up Servicer or other successor Person shall have become the "Servicer" pursuant to the applicable provisions of the Servicing Agreement, whereupon "Servicer" shall mean such successor Person.

"*Servicer Advance*": Means, in the event that any Obligor fails to remit the full Scheduled Payment due from it with respect to a Collection Period by the Determination Date related to such Collection Period, an advance, if any, made by the Servicer, at its election and from its own funds, prior to the related Payment Date of an amount equal to such unpaid Scheduled Payment.

"*Servicer Fee*": The fee payable on each Payment Date to the Servicer in consideration for the Servicer's performance of its duties under the Servicing Agreement during the related Collection Period, in an amount equal to the product of (a) one-twelfth (1/12) of the Servicer Fee Rate and (b) the aggregate Discounted Pool Balance as of the Payment Date occurring immediately prior to the related Collection Period (or, in the case of the Initial Payment Date, the Initial Cut–Off Date). If the Back-up Servicer shall become the successor Servicer, the Servicer Fee shall be subject to a minimum of $6,000 per month.

"*Servicer Fee Rate*": 1.00% per annum; *provided*, however, if the Back-up Servicer becomes the Servicer, such rate shall be 1.50% per annum.

"*Servicer Financial Statements*": The financial statements described in Section 4.02(i) of the Servicing Agreement.

"*Servicer Termination Notice*": The notice described in Section 6.01 of the Servicing Agreement.

"*Servicer Transition Account*": The trust account created and maintained pursuant to Section 13.02 of the Indenture; *provided*, that in no event shall the Servicer Transition Account be other than an Eligible Account.

"*Servicing Agreement*": The Servicing Agreement, dated as of September 7, 2011, among the Servicer, the Transferor, the Issuer, the Trustee and the Back-up Servicer, as amended, supplemented or otherwise modified from time to time.

"*Servicing Charges*": Means the sum of (a) any late payment charges paid by an Obligor on a Contract after application of any such charges to amounts then due under such Contract and (b) any other incidental charges, or fees received from an Obligor, including (i) tax payments, insurance premium payments or reimbursements, late charges, documentation fees, extension fees, administrative charges and maintenance premiums and other pass-through items and (ii) prepayment charges paid by an Obligor in connection with a Prepayment.

"*Servicing Documents*": Means all servicing records, servicing agreements, servicing rights, pledge agreements and any other collateral pledged or otherwise relating to the Contracts, together with all files, documents, instruments, certificates, correspondence, accounting books and records relating thereto or to the Contract Files.

"*Servicing Officers*": Those officers of the Servicer involved in, or responsible for, the administration and servicing of the Contract Assets, as identified on a certificate delivered to the Trustee in accordance with Section 4.01(a)(ix) of the Indenture, as the same may be updated from time to time.

"*Servicing Standard*": Has the meaning set forth in Section 3.02 of the Servicing Agreement.

"*State*": Any state of the United States of America and, in addition, the District of Columbia.

"*Stated Maturity Date*": Means, with respect to a Class of Notes, the Payment Date occurring in the applicable month set forth below.

| | |
|---|---|
| Class A-1A Notes | October 2012 |
| Class A-1B Notes | October 2012 |
| Class A-2 Notes | April 2016 |
| Class B Notes | March 2019 |
| Class C Notes | March 2019 |

| | |
|---|---|
| Class D Notes | March 2019 |
| Class E-1 Notes | March 2019 |
| Class E-2 Notes | March 2019 |

"*Substitute Contract*": A Contract substituted by the Transferor in replacement of one or more Contracts of the Issuer pursuant to the terms and provisions of the Transaction Documents.

"*Subordinated Notes*": Means the Class B Notes, the Class C Notes, the Class D Notes, the Class E-1 Notes and the Class E-2 Notes.

"*Tangible Net Worth*": The aggregate value of (a) LEAF Commercial Capital, Inc.'s preferred and common stock, plus retained earnings plus paid-in surplus minus treasury stock plus any subordinated debt (including, without duplication, the Class E-1 Notes and the Class E-2 Notes of LEAF Capital Funding SPE A, LLC), any accrued and unpaid dividends on preferred stock less (b) trademarks, goodwill, covenants not to compete and all other assets classified as intangible assets determined on a consolidated basis in accordance with GAAP (but excluding any mark-to-market gain or loss on any swap or other hedge transaction).

"*Target Investor Principal Amount*": Means, with respect to any Payment Date, an amount equal to the product of (1) the Note Percentage and (2) the aggregate Discounted Pool Balance as of the last day of the immediately preceding Collection Period.

"*Target Payment*": Means, with respect to any Payment Date, an amount necessary to reduce the Aggregate Outstanding Note Balance to the Target Investor Principal Amount.

"*Target Required Reserve Account Amount*": Has the meaning assigned to it in Section 13.04(a) of the Indenture.

"*Tax Lien*": A lien arising under Section 6321 of the Code.

"*Three-Month Rolling Average Delinquency Ratio*": Means, with respect to any Determination Date commencing with the fourth Determination Date after the Closing Date, the average of the Delinquency Ratios for such Determination Date and the two preceding Determination Dates.

"*Three-Month Rolling Average Delinquency Trigger Level*": Has the meaning set forth in Section 6.01(a) of the Servicing Agreement.

"*Transaction Documents*": The Indenture, the Lockbox Intercreditor Agreement, each Assignment Agreement, the Note Purchase Agreement, the Servicing Agreement, the Purchase and Contribution Agreement, the Notes, the Joinder to Lockbox Intercreditor Agreement, the Securities Account Control Agreement, the Insurance Agreement, the Indemnification Agreement, the Class A Insurance Policy, the Premium Letter and each other document and/or instrument executed pursuant thereto or in connection therewith.

"*Transfer Certificate*"*:* Has the meaning set forth in Section 3.01(a) of the Indenture.

*"Transfer Taxes"*: Means any tax, fee or other governmental charge payable to any federal, state or local government in connection with the sale of the Contract Assets to the Issuer pursuant to the Assignment Agreements and the pledge of the Contract Assets by the Issuer to the Trustee pursuant to the Indenture.

*"Transferor"*: Means LEAF Capital Funding, LLC, a Delaware limited liability company.

*"Transition Costs"*: Means any documented fees and expenses reasonably incurred by a successor Servicer, the Back-up Servicer or the Trustee in connection with a transfer of servicing under the Servicing Agreement, as provided in the Indenture and the Servicing Agreement; *provided* that the total amount of Transition Costs payable to all such Persons shall not exceed $150,000 in the aggregate.

*"Trust Accounts"*: Has the meaning set forth in Section 13.02(a) of the Indenture.

*"Trustee"*: The trustee under the Indenture which, initially, shall be U.S. Bank National Association until such time, if any, as a successor Person shall have become the Trustee pursuant to the applicable provisions of the Indenture, whereupon "Trustee" shall mean such successor Person.

*"Trustee Fee"*: The monthly fees payable on each Payment Date to the Trustee in consideration for the Trustee's performance of its duties hereunder, as set forth in the Trustee Fee Schedule.

*"Trustee Fee Schedule"*: That certain "Schedule of Fees for Services as Trustee, Paying Agent, Registrar and Securities Intermediary" relating to the LEAF Receivables Funding 7, LLC, Equipment Contract Backed Notes, 2011-2, dated as of September 29, 2011.

*"UCC"*: The Uniform Commercial Code as then in effect in the State of New York, or where the context otherwise requires, the jurisdiction the law of which governs the perfection or priority of any applicable security interest.

"*Underwriting Guidelines*": Means the underwriting guidelines of the Servicer as of the Closing Date, copies of which were delivered to the Class A Note Insurer.

*"United States"*: The United States of America and its territories.

*"U.S. Person"*: Means (other than for tax purposes) (i) any natural person resident in the United States, (ii) any partnership or corporation organized or incorporated under the laws of the United States, (iii) any estate of which an executor or administrator is a U.S. Person (other than an estate governed by foreign law and of which at least one executor or administrator is a non-U.S. Person who has sole or shared investment discretion with respect to its assets), (iv) any trust of which any trustee is a U.S. Person (other than a trust of which at least one trustee is a non-U.S. Person who has sole or shared investment discretion with respect to its assets and no

beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person), (v) any agency or branch of a foreign entity located in the United States, (vi) any non-discretionary or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person, (vii) any discretionary or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States (other than such an account held for the benefit or account of a non-U.S. Person), or (viii) any partnership or corporation organized or incorporated under the laws of a foreign jurisdiction and formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act (unless it is organized or incorporated, and owned, by accredited investors within the meaning of Rule 501(a) under the Securities Act who are not natural persons, estates or trusts); *provided* that, the term *"U.S. Person"* shall not include (A) a branch or agency of a U.S. Person that is located and operating outside the United States for valid business purposes as a locally regulated branch or agency engaged in the banking or insurance business, (B) any employee benefit plan established and administered in accordance with the law, customary practices and documentation of a foreign country, and (C) the international organizations set forth in Section 902(k)(2)(vi) of Regulation S under the Securities Act and any other similar international organizations, and their agencies, affiliates and pension plans.

"*Vendor*": Any Equipment manufacturer, distributor, dealer or supplier with whom the Servicer or relevant Originator has a vendor program in effect pursuant to which the Servicer or such Originator acquires or otherwise originates Contracts used to finance equipment manufactured and/or distributed by such vendor and leased or otherwise financed by Obligors under such Contracts.

"*Verification Date*": The third Business Day after each Reporting Date, by which time the Back-up Servicer must verify the information contained in the Monthly Servicing Report delivered on such Reporting Date.

"*Warranty Event*": With respect to any Contract, (a) any breach of Section 4.1(a) of the Purchase and Contribution Agreement or clauses (3) or (4) of any Assignment Agreement that gives rise to a repurchase obligation under Section 6.1(a) of the Purchase and Contribution Agreement, (b) any breach of Section 2.02 of the Servicing Agreement that gives rise to a repurchase obligation under Section 3.09 of the Servicing Agreement, or (c) the circumstances described in Section 4.04(a) of the Indenture.

"*Winning Bidder*": Is as defined in Section 11.06 of the Indenture.

**Exhibit 12.1**

**Ratio of Earnings to Fixed Charges**
**(in thousands, except ratios)**

| | For the Fiscal Year Ended September 30, | | | | |
|---|---|---|---|---|---|
| | **2011** | **2010** | **2009** | **2008** | **2007** |
| **Earnings:** | | | | | |
| Pretax (loss) income from continuing operations | $ (9,834) | $ (19,947) | $ (26,594) | $ (44,882) | $ 9,824 |
| Less – noncontrolling interests | – | (8) | (1,549) | (6,482) | 1,612 |
| Less – equity in earnings of affiliates | (10,377) | (4,870) | (1,279) | 15,656 | (13,960) |
| Add – cash distributions received from equity investments | 4,522 | 5,104 | 6,128 | 15,647 | 16,212 |
| | (15,689) | (19,721) | (23,294) | (20,061) | 13,688 |
| Fixed charges | 15,643 | 13,386 | 20,520 | 47,581 | 33,782 |
| Total | $ (46) | $ (6,335) | $ (2,774) | $ 27,520 | $ 47,470 |
| | | | | | |
| **Fixed Charges:** | | | | | |
| Interest expense | $ 15,343 | $ 13,086 | $ 20,199 | $ 47,266 | $ 33,566 |
| Estimated interest portion of rent expense (2) | 300 | 300 | 321 | 315 | 216 |
| Total | $ 15,643 | $ 13,386 | $ 20,520 | $ 47,581 | $ 33,782 |
| | | | | | |
| **Ratio of earnings to fixed charges** | **(1)** | **(1)** | **(1)** | **(1)** | **1.4** |

(1) Earnings for fiscal 2011, 2010, 2009 and 2008 were inadequate to cover fixed charges. The coverage deficiencies for those periods were $15.7 million, $19.7 million $23.2 million and $20.0 million, respectively.

(2) Estimated to be 8% of rent expense.

**EXHIBIT 21.1**

**RESOURCE AMERICA, INC.**

**LIST OF SUBSIDIARIES**

| NAME OF SUBSIDIARIES | STATE OF INCORPORATION |
|---|---|
| Resource Financial Fund Management, Inc. | Delaware |
| Resource Income Advisors, Inc. | Delaware |
| Torsion Capital, Inc. | Delaware |
| Torsion Advisors, Inc. | Delaware |
| Trapeza Capital Management, LLC | Delaware |
| Trapeza Manager, Inc. | Delaware |
| Trapeza Funding, LLC | Delaware |
| Trapeza Funding II, LLC | Delaware |
| Trapeza Funding III, LLC | Delaware |
| Trapeza Funding IV, LLC | Delaware |
| Trapeza Funding V, LLC | Delaware |
| Trapeza TPS, LLC | Delaware |
| Trapeza Management Group, LLC | Delaware |
| Ischus Capital Management, LLC | Delaware |
| Apidos Capital Management, LLC | Delaware |
| Apidos Select Corporate Credit Fund GP, LLC | Delaware |
| Apidos Partners, Inc. | Delaware |
| Resource Financial Institutions Group, Inc. | Delaware |
| Resource Capital Manager, Inc. | Delaware |
| RAI Ventures, Inc. | Delaware |
| Resource Securities, Inc. (f/k/a Chadwick Securities, Inc.) | Delaware |
| Resource Europe Management Limited | United Kingdom |
| Resource Capital Markets, Inc. | Delaware |
| Resource Capital Investor, Inc. | Delaware |
| Resource Leasing, Inc. | Delaware |
| FLI Holdings, Inc. | Delaware |
| LEAF Financial Corporation | Delaware |
| LEAF Commercial Capital, Inc. | Delaware |
| LEAF Capital Funding LLC | Delaware |
| LEAF Capital Funding SPE A, LLC | Delaware |
| LEAF Receivables Funding 3, LLC | Delaware |
| LEAF Fund SPE 1, LLC | |
| Commerce Square Insurance Services, LLC | Delaware |
| Commerce Square Equipment Reinsurance Co., Ltd. | Turks & Caicos Islands |
| LEAF Ventures, LLC | Delaware |
| Merit Capital Manager, LLC | Delaware |
| Merit Capital Advance, LLC | Delaware |
| Merit Processing, LLC | Delaware |
| LEAF Ventures II, LLC | Delaware |
| Prompt Payment, LLC | Delaware |
| Lease Equity Appreciation Fund I, L.P. | Delaware |
| LEAF Fund I, LLC | Delaware |
| Lease Equity Appreciation Fund II, L.P. | Delaware |
| LEAF Fund II, LLC | Delaware |
| LEAF II Receivables Funding, LLC | Delaware |
| LEAF Funding, Inc. | Delaware |
| LEAF Funds Joint Venture 2, LLC | Delaware |
| LEAF Commercial Finance Fund, LLC | Delaware |
| LEAF Receivables Funding 6, LLC | Delaware |
| Resource Capital Funding II, LLC | Delaware |
| Resource Asset Management, LLC | Delaware |

| | |
|---|---|
| RCP Foxcroft Manager, LLC | Delaware |
| RCP Tamarlane Manager, LLC | Delaware |
| RCP Park Hill Manager, LLC | Delaware |
| RCP Woodland Hills Manager, LLC | Delaware |
| RCP Brent Oaks Manager, LLC | Delaware |
| RCP Cape Cod Manager, LLC | Delaware |
| RCP Woodhollow Manager, LLC | Delaware |
| SR-MGI Fountains Holdings, LLC | Delaware |
| SR Nittany Pointe Holdings, LLC | Delaware |
| AR Real Estate Investors, LLC | Delaware |
| AR Real Estate GP, LLC | Delaware |
| RCP Nittany Pointe Manager, Inc. | Delaware |
| RCP Fountains GP, Inc. | Delaware |
| RCP Mill Creek Manager, LLC | Delaware |
| RCP Wyndridge Manager, LLC | Delaware |
| RCP Waterstone Manager, LLC | Delaware |
| RRE Howell Bridge Holdings, LLC | Delaware |
| RRE Bentley Place Holdings, LLC | Delaware |
| RRE Reserves Holdings, LLC | Delaware |
| RRE Reserves Holdco I, LLC | Delaware |
| RRE Regents Center Holdings, LLC | Delaware |
| RRE I Duraleigh Member, LLC | Delaware |
| RRE 2 Duraleigh Member LLC | Delaware |
| RRE Avalon Member, LLC | Delaware |
| RRE Avalon Holdings, LLC | Delaware |
| RRE Funding I, LLC | Delaware |
| RRE Magnolia Holdings, LLC | Delaware |
| RRE West Wind Holdings, LLC | Delaware |
| RRE Ryan’s Crossing Holdings, LLC | Delaware |
| RRE Falls at Duraleigh Holdings, LLC | Delaware |
| RRE Sage Canyon Holdings, LLC | Delaware |
| RRE Cuestas Holdings, LLC | Delaware |
| RRE Heritage Lake Holdings, LLC | Delaware |
| RRE Heritage Lake TIC, LLC | Delaware |
| RRE Pear Tree Holdings, LLC | Delaware |
| RRE Wind Tree Holdings, LLC | Delaware |
| RRE Westchase Wyndham Holdings, LLC | Delaware |
| RRE Funding II, LLC | Delaware |
| RRE Villas Holdings, LLC | Delaware |
| RRE Memorial Towers Holdings, LLC | Delaware |
| RRE Coach Lantern Holdings, LLC | Delaware |
| RRE Foxcroft Holdings, LLC | Delaware |
| Foxcroft South Owners Association | Maine |
| Foxcroft North Owners Association | Maine |
| RRE Tamarlane Holdings, LLC | Delaware |
| RRE Park Hill Holdings, LLC | Delaware |
| RRE Bently Place Holdco I, LLC | Delaware |
| RRE West Chase Wyndham TIC, LLC | Delaware |
| RRE Chenal Brightwaters TIC, LLC | Delaware |
| RRE Chenal Brightwaters Holdings, LLC | Delaware |
| RRE Highland Lodge TIC, LLC | Delaware |
| RRE Regents Center TIC, LLC | Delaware |
| RRE Heritage lake TIC, LLC | Delaware |
| RRE Bentley Place TIC, LLC | Delaware |
| RRE Reserves TIC, LLC | Delaware |
| RRE Highland Lodge Holdings, LLC | Delaware |
| RRE Bent Oaks Holdings, LLC | Delaware |

| | |
|---|---|
| RCP Foxcroft Manager, LLC | Delaware |
| RCP Tamarlane Manager, LLC | Delaware |
| RCP Park Hill Manager, LLC | Delaware |
| RCP Woodland Hills Manager, LLC | Delaware |
| RCP Brent Oaks Manager, LLC | Delaware |
| RCP Cape Cod Manager, LLC | Delaware |
| RCP Woodhollow Manager, LLC | Delaware |
| SR-MGI Fountains Holdings, LLC | Delaware |
| SR Nittany Pointe Holdings, LLC | Delaware |
| AR Real Estate Investors, LLC | Delaware |
| AR Real Estate GP, LLC | Delaware |
| RCP Nittany Pointe Manager, Inc. | Delaware |
| RCP Fountains GP, Inc. | Delaware |
| RCP Mill Creek Manager, LLC | Delaware |
| RCP Wyndridge Manager, LLC | Delaware |
| RCP Waterstone Manager, LLC | Delaware |
| RRE Howell Bridge Holdings, LLC | Delaware |
| RRE Bentley Place Holdings, LLC | Delaware |
| RRE Reserves Holdings, LLC | Delaware |
| RRE Reserves Holdco I, LLC | Delaware |
| RRE Regents Center Holdings, LLC | Delaware |
| RRE I Duraleigh Member, LLC | Delaware |
| RRE 2 Duraleigh Member LLC | Delaware |
| RRE Avalon Member, LLC | Delaware |
| RRE Avalon Holdings, LLC | Delaware |
| RRE Funding I, LLC | Delaware |
| RRE Magnolia Holdings, LLC | Delaware |
| RRE West Wind Holdings, LLC | Delaware |
| RRE Ryan’s Crossing Holdings, LLC | Delaware |
| RRE Falls at Duraleigh Holdings, LLC | Delaware |
| RRE Sage Canyon Holdings, LLC | Delaware |
| RRE Cuestas Holdings, LLC | Delaware |
| RRE Heritage Lake Holdings, LLC | Delaware |
| RRE Heritage Lake TIC, LLC | Delaware |
| RRE Pear Tree Holdings, LLC | Delaware |
| RRE Wind Tree Holdings, LLC | Delaware |
| RRE Westchase Wyndham Holdings, LLC | Delaware |
| RRE Funding II, LLC | Delaware |
| RRE Villas Holdings, LLC | Delaware |
| RRE Memorial Towers Holdings, LLC | Delaware |
| RRE Coach Lantern Holdings, LLC | Delaware |
| RRE Foxcroft Holdings, LLC | Delaware |
| Foxcroft South Owners Association | Maine |
| Foxcroft North Owners Association | Maine |
| RRE Tamarlane Holdings, LLC | Delaware |
| RRE Park Hill Holdings, LLC | Delaware |
| RRE Bently Place Holdco I, LLC | Delaware |
| RRE West Chase Wyndham TIC, LLC | Delaware |
| RRE Chenal Brightwaters TIC, LLC | Delaware |
| RRE Chenal Brightwaters Holdings, LLC | Delaware |
| RRE Highland Lodge TIC, LLC | Delaware |
| RRE Regents Center TIC, LLC | Delaware |
| RRE Heritage lake TIC, LLC | Delaware |
| RRE Bentley Place TIC, LLC | Delaware |
| RRE Reserves TIC, LLC | Delaware |
| RRE Highland Lodge Holdings, LLC | Delaware |
| RRE Bent Oaks Holdings, LLC | Delaware |

| | |
|---|---|
| RRE Cape Cod Holdings, LLC | Delaware |
| RRE Woodhollow Holdings, LLC | Delaware |
| RRE Woodland Hills Holdings, LLC | Delaware |
| RRE Mill Creek Holdings, LLC | Delaware |
| RRE Wyndridge Holdings, LLC | Delaware |
| RRE Apache Holdings, LLC | Delaware |
| RRE Waterstone Holdings, LLC | Delaware |
| RRE Highland Lodge Manger, Inc. | Delaware |
| RRE Parks Holdings, LLC | Delaware |
| Resource RSI Phase I, LLC | Delaware |
| Resource RSI Phase II, LLC | Delaware |
| Press Building, LLC | Delaware |
| RSI I Manager, Inc. | Delaware |
| RSI II Manager, Inc. | Delaware |
| Resource Programs, Inc. | Delaware |
| RCP Financial, LLC | Pennsylvania |
| Resource Properties XVII, Inc. | Delaware |
| Resource Properties XXV, Inc. | Delaware |
| Resource Properties XXVI, Inc. | Delaware |
| Resource Properties XXX, Inc. | Delaware |
| Resource Properties XXXI, Inc. | Delaware |
| Resource Properties XLVII, Inc. | Delaware |
| Resource Properties XLIX, Inc. | Delaware |
| Resource Properties 54, Inc. | Delaware |
| Resource Commercial Mortgages, Inc. | Delaware |
| Resource Housing Investors I, Inc. | Delaware |
| Resource Housing Investors II, Inc. | Delaware |
| Resource Housing Investors III, Inc. | Delaware |
| Resource Housing Investors IV, Inc. | Delaware |

**Exhibit 23.1**

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated December 12, 2011, with respect to the consolidated financial statements, schedules and internal control over financial reporting included in the Annual Report of Resource America, Inc. and subsidiaries on Form 10-K for the year ended September 30, 2011. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Resource America, Inc. on Forms S-8 (File No. 333-174256, effective May 16, 2011; File 333-163729 effective December 15, 2009; File No. 333-158557, effective April 13, 2009; File No. 333-126344, effective July 1, 2005, File No. 333-105615, effective May 28, 2003; File Nos. 333-98505 and 333-98507, effective August 22, 2002; File No. 333-81420, effective January 25, 2002 and File No. 333-37416, effective May 19, 2000).

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania
December 12, 2011

**EXHIBIT 31.1**

**CERTIFICATION**

I, Jonathan Z. Cohen, certify that:

1) I have reviewed this report on Form 10-K for the fiscal year ended September 30, 2011 of Resource America, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jonathan Z. Cohen

Date: December 12, 2011

Jonathan Z. Cohen
Chief Executive Officer

**EXHIBIT 31.2**

## CERTIFICATION

I, Thomas C. Elliott, certify that:

1) I have reviewed this report on Form 10-K for the fiscal year ended September 30, 2011 of Resource America, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Thomas C. Elliott

Date: December 12, 2011

Thomas C. Elliott
Senior Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Resource America, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan Z. Cohen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jonathan Z. Cohen

Date: December 12, 2011

Jonathan Z. Cohen
Chief Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Resource America, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas C. Elliott, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas C. Elliott
Thomas C. Elliott
Senior Vice President and Chief Financial Officer

Date: December 12, 2011