

ELFA Small Ticket Business Council Luncheon

49th Annual Convention
October 26th 2010



Agenda

- **Review the Small Ticket Business Council**
- **Small Ticket Steering Committee**
- **Equipment Leasing & Finance Foundation**
- **Foundation Presentation**
- **Poll Results with interactive discussion**

Small Ticket Business Council

- **Consists of companies that have identified themselves as small ticket (average transactions <\$250M)**
- **May be in multiple business councils**
 - **Update your ELFA profile accordingly**

Small Ticket Steering Committee

- **Consists of elected members from the Business Council.**
 - **Candidates are senior level managers**
- **Represent the interests of Small Ticket members to the ELFA**
 - **Recommend Articles and Educational items**
 - **Assist Lease Pac fundraising**
 - **Identify potential members and assist with recruitment**
 - **Voice for Small Ticket companies**

2010 Small Ticket Steering Committee Members

2010 Roster

- **Robert Boyer*** **Susquehanna**
- **Kevin Clune** **Clune & Company**
- **Chris Enbom** **Allegiant Partners**
- **Michael Ireton** ***Suntrust EF***
- **Jim McGrane** ***Tygris Vendor Finance***
- **David Myers** ***Univest Capital***
- **Nancy Pistorio** **Madison Capital**
- **Dave Schaefer** **Orion First Financial**
- **Ray Shilling** **Marlin Leasing**
- **Evan Wilkoff** **Formerly Wells Fargo**
- **Dennis Brown** **ELFA Liaison**
- **Justin Short** **ELFA Asst. Liaison**

2011 Roster

- **Chris Enbom*** **Allegiant Partners**
- **Robert Boyer** **Susquehanna**
- **Kevin Clune** **Clune & Company**
- **James Elwood** ***Bank of the West***
- **Terey Jennings** ***Financial Pacific***
- **Nancy Pistorio** **Madison Capital**
- **Dave Schaefer** **Orion First Financial**
- **Ray Shilling** **Marlin Leasing**
- **David Verkinderen** ***US Bank Eq. Fin***
- **Evan Wilkoff** **Formerly Wells Fargo.**
- **Carl Zwilling** ***Summit Funding***
- **Dennis Brown** **ELFA Liaison**
- **Justin Short** **ELFA Asst. Liaison**

*Denotes Chairperson



Your Source for Independent, Future Focused Industry Research

- Established in 1989 and supported 100% by donations
- The only organization dedicated to producing future-oriented, in-depth, independent industry research
- Several Hundred Industry Research Studies, Publications and Articles including:
 - Annual State of the Equipment Financing Industry Report
 - Annual Industry Future Council Report
 - Healthcare Information Technology – Equipment Financing Opportunities
 - Changes to Lease Accounting: Rules, Reactions and Realities
 - Social Networking in the Equipment Finance Industry
 - *Journal of Equipment Lease Financing*
- Small Ticket Business Council Committee Members support the Foundation
 - Committee members have donated over \$18,000 in 2010
 - 31% of Committee members have provided corporate contributions
 - 15% of Committee members have provided individual contributions

For more information visit www.LeaseFoundation.org

LeasePAC



Established to protect and enhance the profitability of ELFA member companies and the industry.

LeasePAC

- **Non-partisan political action committee**
- **Funded by voluntary personal contributions from eligible employees of ELFA member companies**
- **Supports federal candidates who share ELFA public policy positions**
- **Member companies must give Prior Approval in order to solicit eligible employees for contributions**

ELFA's Advocacy Info Center

GET INVOLVED!

ELFA member participation in the political process is critical now more than ever. Check the Advocacy Info Center for information about federal and state policy issues, grassroots campaigns, election information and more.

<http://advocacy.elfaonline.org/>

ELFA
Advocacy Info Center

Federal Issues

State Issues

Grassroots Network

LeasePAC

ELFA Home

Contact:
Kelli Nienaber



Get Involved!

- Accounting/FASB
- Anti-Money Laundering
- Bankruptcy Reform
- Basel II
- Economic Stimulus
- Energy
- Financial Markets
- [Financial Regulatory Reform](#)
- Tax

Financial Regulatory Reform:

- ELFA Talking Papers:
 - [Impact of Senate Banking Committee Bill on Asset Backed Securitization \(March 2010\)](#) 
 - [Syndication \(Feb 2010\)](#) 
 - [Securitization \(Feb 2010\)](#) 
 - [Vendor Dealer \(Feb 2010\)](#) 
 - [ECOA - Equal Credit Opportunity Act \(Feb 2010\)](#) 

Lease PAC

- **Please complete the Prior Approval Consent Form and leave with Dave Schaefer or Dennis Brown**

Thanks for your Support!

The ELFA Small Ticket Steering Committee
Proudly Presents:
Market Trends
in the
Small Ticket Business Council



Background

- **51 Small Ticket Business Council Member Companies provided Survey Data**
- **Panel/Section Facilitators**
 - Rob Boyer – Demographics & Stakeholder Expectations
 - Chris Enbom – Pricing
 - Evan Wilkoff – Capital & Liquidity
 - Ray Shilling – New Business
 - Nancy Pistorio – Portfolio Quality
 - Tom Ware from PayNet
- **Why did we change the format?**
 - More discussion time
 - We have data break outs by company type and size

Discussion

- **Goal: interactive discussion with the group**
- **We will move quickly through some slides to report data**
 - **Stop us and ask a question if you see something interesting you**
- **We will focus on areas the panel felt were interesting and present questions to the group**

Intro Questions Demographics

Rob Boyer

Susquehanna Commercial Finance, Inc.



Is your company:

2010 DATA

2009 DATA

53%	Independent	71.00%
29%	Bank Owned	21%
16%	Captive	7%
2%	Broker	2%

2009 origination volume:

2009 DATA

2010 DATA

41%	Less than \$50 million	37%
20%	\$50 million to \$100,000 million	17%
18%	\$100 million to \$250 million	17%
22%	Over \$250 million	29%

2009 owned/managed portfolio size:

2010 DATA

2009 DATA

34%	Less than \$50 million	31%
10%	\$50 million to \$100 million	9%
14%	\$100 million to \$250 million	22%
42%	Over \$250 million	38%

Stakeholder Expectations

Rob Boyer

Susquehanna Commercial Finance, Inc.



Definition of Stakeholder

- **Parent company**
- **Board of Directors**
- **Entity with majority ownership stake**
- **Investors**

How would you describe your key stakeholder?

2010 DATA

2009 DATA



What is your stakeholder's risk profile?

2010 DATA

2009 DATA

0%	Very high (VC/Hedge Fund)	0%
27%	High (Private Equity)	31%
31%	Medium (Public)	38%
43%	Low (Bank)	31%

What is your stakeholder's investment horizon?

2010 DATA

6%

Short

31%

Moderate

63%

Long

2009 DATA

3%

24%

72%

What is your stakeholder's return expectations?

2010 DATA

67%

Up to 20%

33%

21% to 40%

0%

Over 40%

2009 DATA

69%

23%

8%

Pricing

Chris Enbom

Allegiant Partners Incorporated



In 2010, have your spreads:

2010 DATA

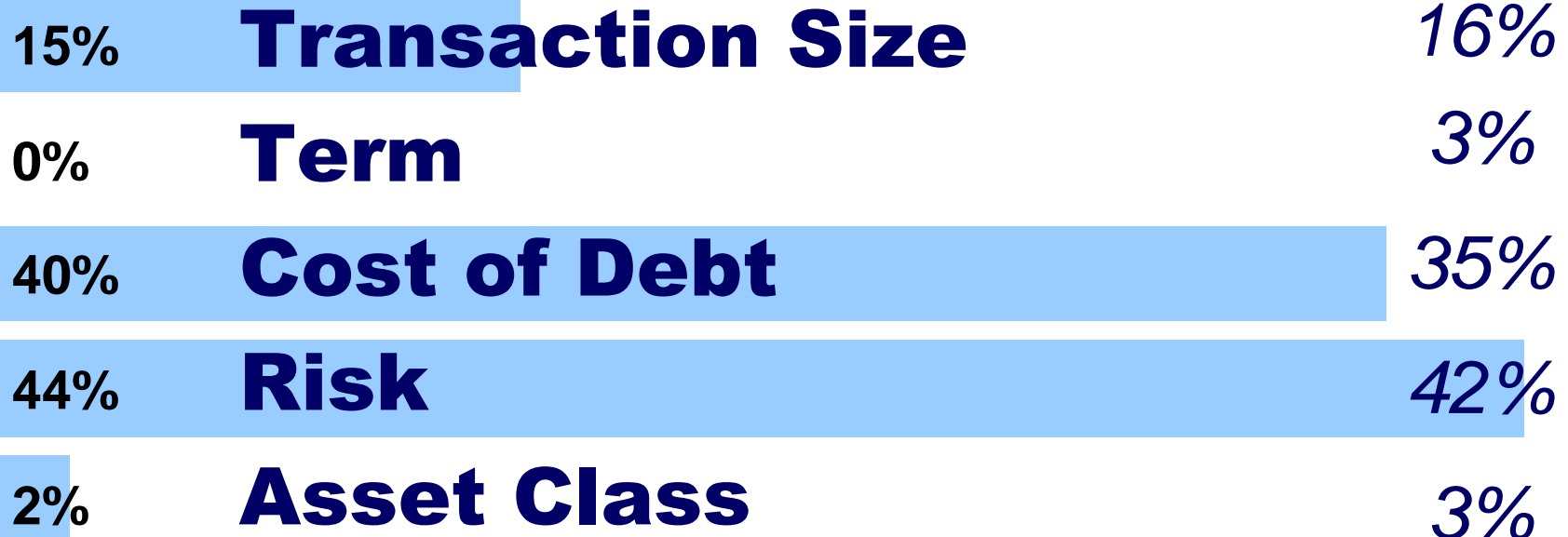
2009 DATA

23%	Increased more than 50 bps	58%
33%	Increased 1-50 bps	13%
23%	Remained the same	6%
17%	Decreased 1-50 bps	10%
4%	Decreased more than 50 bps	13%

What is your number one determinant in your pricing strategy?

2010 DATA

2009 DATA



How much latitude do sales people have in setting price to win a transaction?

2010 DATA

6%

None

29%

Very little

51%

Some

14%

A great deal

2009 DATA

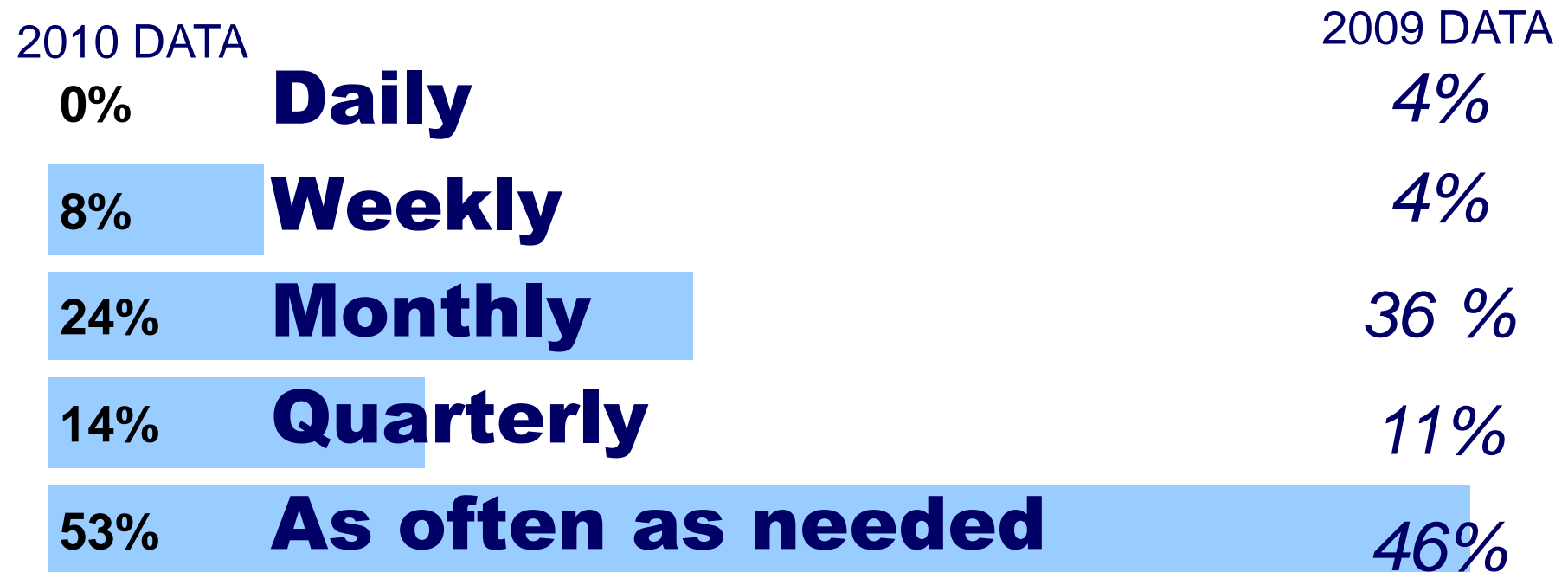
10%

26%

39%

26%

How often do you change rates to your partners?



What index do you use to set pricing levels?

2010 DATA

2009 DATA

9%	Treasuries	0%
43%	Swaps	19%
34%	Bank Cost of Funds	37%
2%	Libor	15%
4%	Prime rate	7%
9%	Other	22%

How rational is pricing in the marketplace?

2010 DATA

2009 DATA

4% **Very rational and disciplined**

4%

61% **Somewhat rational**

59%

29% **All over the place**

30%

3% **Irrational**

7%

Over the next year, do you see spreads:

2010 DATA

14% **Increasing**

49% **Decreasing**

37% **Staying the same**

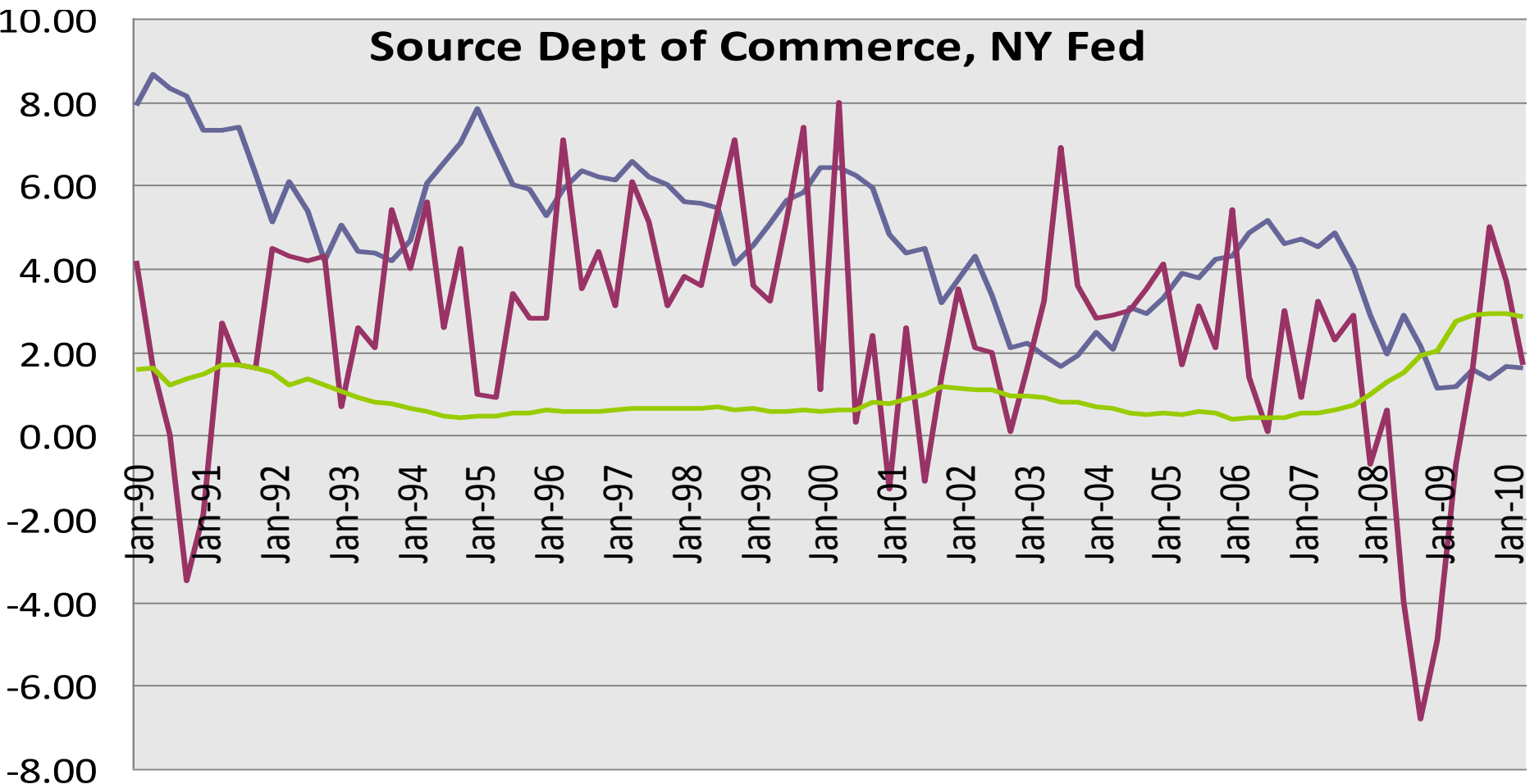
2009 DATA

31%

31%

38%

Growth, Rates and Charge-off trends



— 3 Year Treasury

— GDP Growth

— Net Charge Off

3 Year Swap Rates – Source NY Fed



Discussion: Trends in Pricing

- **Let's talk about the market impact on pricing**
 - **What will drive down spreads?**
 - **Increasing rates?**
 - **Increased Competition/Oversupply of Capital?**
 - **How likely is a reoccurrence of a low margins with higher risk environment to reoccur if an oversupply of capital increases demand for assets?**

Capital/Liquidity

Evan Wilkoff



What is the primary source of funds you expect to utilize over the next 12 months?

2010 DATA

2009 DATA

33%	Deposits	22%
21%	Commercial Conduits	13%
10%	Term Securitizations	22%
27%	Conventional Bank Notes	35%
0%	Private Facilities (i.e. insurance co.'s)	4%
4%	100% Equity	0%
4%	Brokering	4%

In the last 12 months, your weighted average cost of funds has:

2010 DATA		2009 DATA
2%	Increased more than 200bps	22%
2%	Increased 100-199bps	30%
11%	Increased 1-99 bps	13%
20%	Stayed the same	13%
52%	Decreased 1-99 bps	13%
7%	Decreased 100-199 bps	9%
7%	Decreased more than 200bps	0%

Over the next 12 months, you expect your cost of funds to:

2010 DATA

2009 DATA

0%	Significantly increase	16%
47%	Slightly increase	28%
34%	Stay the same	40%
19%	Slightly Decrease	12%
0%	Significantly decrease	4%

COF Expectations by Type of Company

	Overall	Indep	Bank	Captive
Significantly increase	0%	0%	0%	0%
Slightly increase	47%	29%	64%	75%
Stay the same	34%	42%	29%	13%
Slightly Decrease	19%	29%	7%	13%
Significantly decrease	0%	0%	0%	0%

- **Why do banks and Captives expect increases when the majority of Independents expect COF to stay the same or decrease?**

In the last 12 months, advance rates have:

2010 DATA

2%	Significantly increased
12%	Slightly Increased
69%	Stayed the same
14%	Slightly Decreased
2%	Significantly Decreased

2009 DATA

21%

16%

37%

21%

5%

Your advance rates (as a % of Net Investment) are:

2010 DATA

2009 DATA

13%	100% or greater	40%
47%	95-100%	0%
5%	90-95%	7%
18%	85-90%	0%
8%	80-85%	47%
8%	Under 80%	7%

Over the next 12 months, you expect advance rates to

2010 DATA

2009 DATA

3%

Significantly Increase

6%

18%

Slightly Increase

13%

70%

Stay the same

38%

8%

Slightly decrease

31%

3%

Significantly decrease

13%

Over the last 12 months, have your lenders added or tightened covenants for your debt facility?

2010 DATA

30% **1) Yes**

70% **2) No**

2009 DATA

63%

37%

Discussion: Lender Trends for Independents?

- **Comments have been made that some of the restrictive covenants lenders placed on independents during 2009 and early 2010 have eased. Have they? If so, what does the next 12 months hold?**

Over the next 1-3 years, do you think independents will be able to attract outside equity needed to provide necessary growth capital?

2010 DATA

2009 DATA



For independents: considering the impact economic factors, do you feel that your funding sources are treating you fairly?

2010 DATA

2009 DATA

75% **1) Yes**

44%

25% **2) No**

56%

For Independents: Are you able to attract enough debt to fully fund your business?

2010 DATA

75% **Yes**

A horizontal bar chart with two bars. The top bar is light blue and represents 75% for 'Yes'. The bottom bar is also light blue and represents 25% for 'No'. The bars are positioned to the right of their respective percentage labels.

25% **No**

New Business Development

Ray Shilling
Marlin Leasing Corp.



New business volume originated YTD in 2010 compared to the same period in 2009 has:

2010 DATA

2009 DATA

10% Increased by more than 20%

9%

35% Increased 1-20%

11%

15% The same

11%

29% Decreased 1-20%

31%

10% Decreased by more than 20%

37%

New business volume for the remaining fiscal year is expected to:

2010 DATA

2009 DATA

58% Increase

38%

38% Remain Stable

31%

4% Decline

31%

Your 2010 YTD volume versus your 2010 YTD budget was:

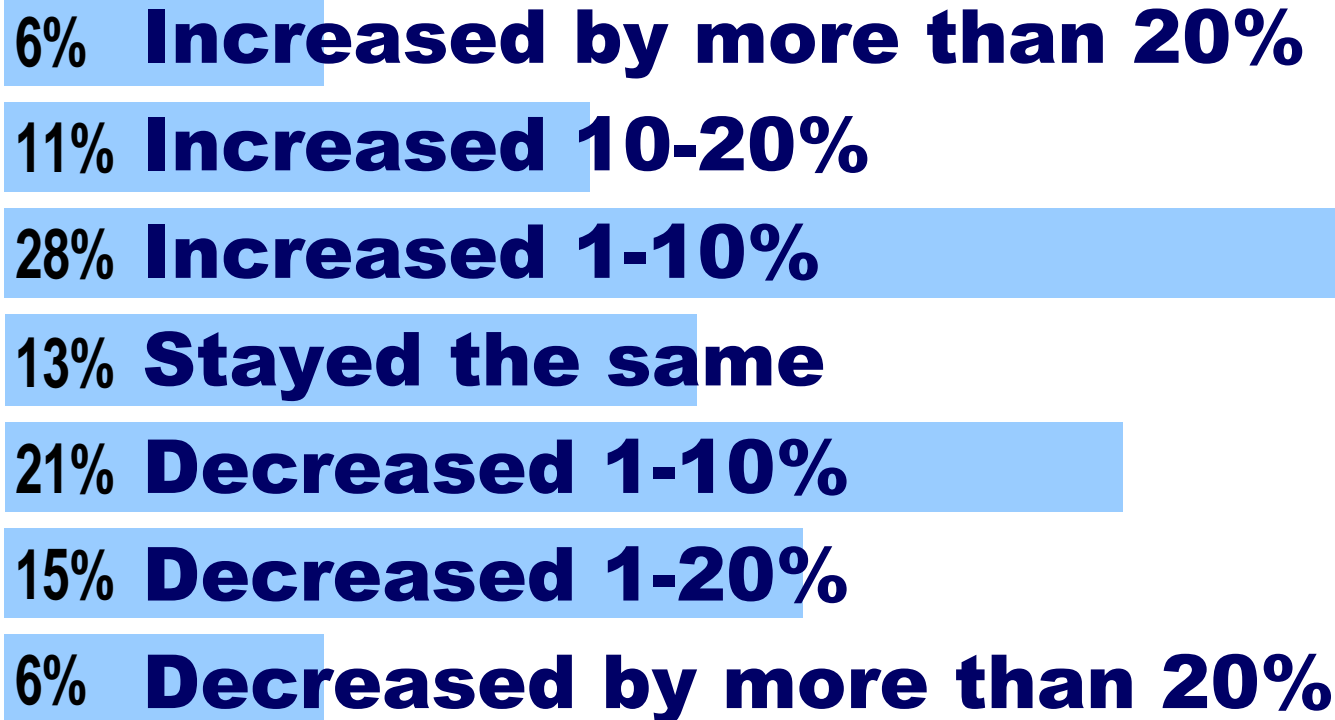
2010 DATA

2009 DATA

18%	Significantly below budget	43%
39%	Slightly below budget	23%
22%	At budget	17%
18%	Slightly above budget	13%
2%	Significantly above budget	3%

Application volume for 2010 YTD compared to the same period in 2009 has:

2010 DATA



Is the overall quality of new credit applicants:

2010 DATA

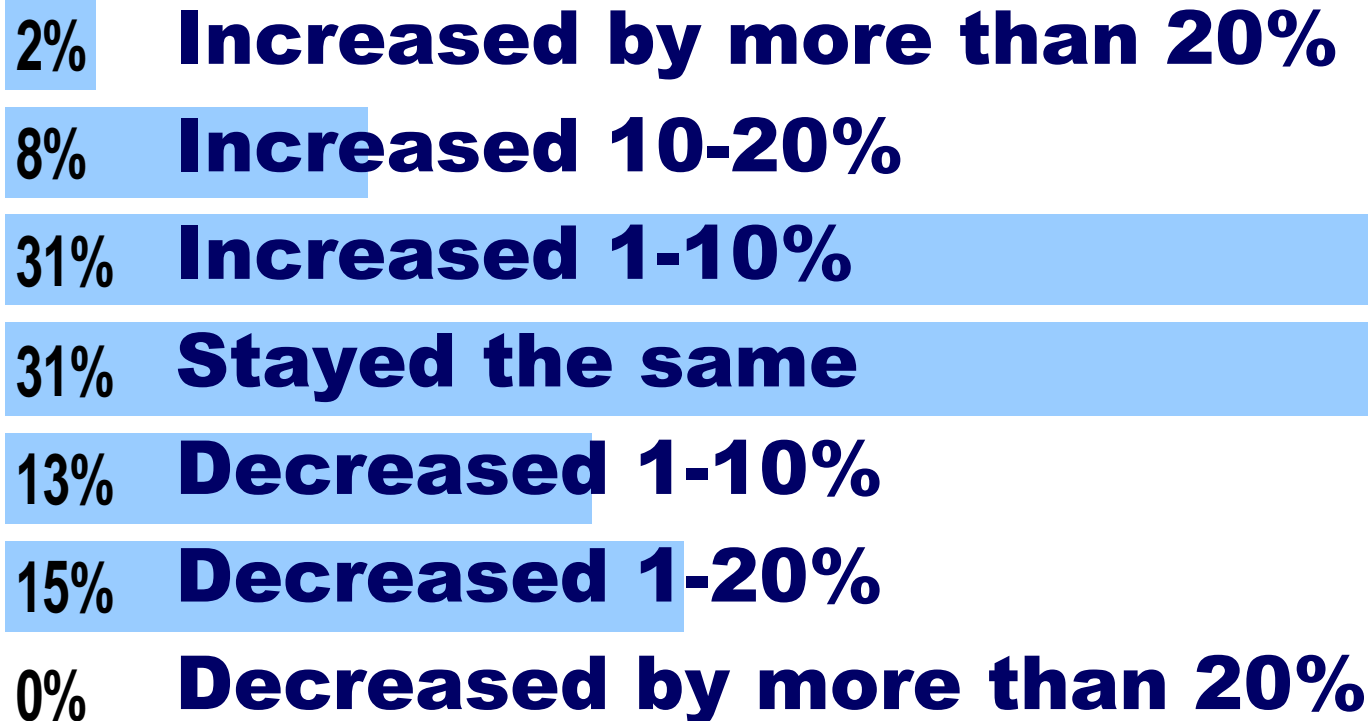
47% Improving

47% Remaining the same

6% Deteriorating

The percentage of applications submitted that were approved for 2010 YTD vs. the same period in 2009 has:

2010 DATA

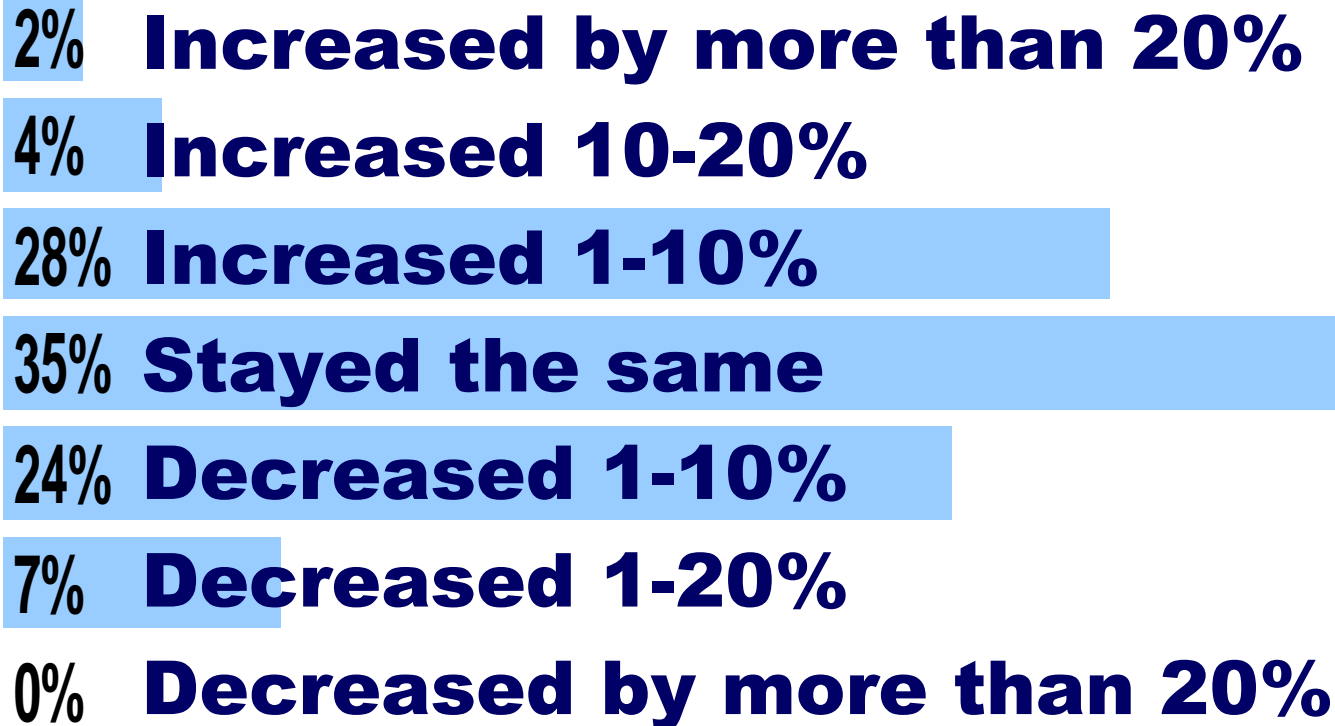


Discussion: Application Trends

- **Most companies have stated quality of applicants have gone up or stayed the same. Applications approval rates support this statement.**
 - **Have credit profiles improved from 2009?**
 - **Have customers with better credit come to the market for credit?**
 - **Have we improved our management of sources of business to improve this metric? If so, what changes have companies made?**

The percentage of approvals that converted to booked transactions for 2010 YTD compared to the same period in 2009 has:

2010 DATA



The most significant driver of changes to 2010 volume versus 2009 is:

2010 DATA

2009 DATA

63%	Economy/CapEx (demand)	48%
6%	Interest rate environment	3%
2%	Pricing practices	3%
13%	Credit/Risk standards	24%
2%	Differentiated Value Proposition	12%
6%	Stakeholder requirements	0%
0%	New product introduced to customers	3%
8%	Entry into new equipment type	3%
0%	Acquisition of a company/portfolio	3%

Drivers of Change 2007-2010

	2010	2009	2008	2007
Economy/Capital expenditures	63%	48%	24%	5%
Interest rate environment	6%	3%	9%	10%
Pricing practices	2%	3%	6%	8%
Credit/Risk standards	13%	24%	48%	18%
Differentiated Value Proposition	2%	12%	9%	21%
Stakeholder requirements	6%	0%	0%	8%
New product introduced to customers	0%	3%	0%	8%
Entry into new equipment type	8%	3%	3%	10%
Acquisition of a company/portfolio	0%	3%	0%	13%

In your market, the primary financial product competition is:

2010 DATA

2009 DATA

14%	Cash	14%
43%	Bank Loans	24%
2%	Credit Cards	0
0%	Rental	3%
41%	Other leasing companies	59%

Product Competition 3 year trend

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash	14%	14%	16%
Bank Loans	43%	24%	19%
Credit Cards	2%	0%	N/A
Rental	0%	3%	3%
Other leasing companies	41%	59%	63%

Question: Competing products

- **Banks have replaced other leasing companies as a primary competitor in small ticket**
 - **Smaller, community banks are financing small business equipment purchases. They need assets and diversification from real estate oriented portfolios.**
 - **They offer low rates. Can they offer the value we do? How can we differentiate ourselves?**

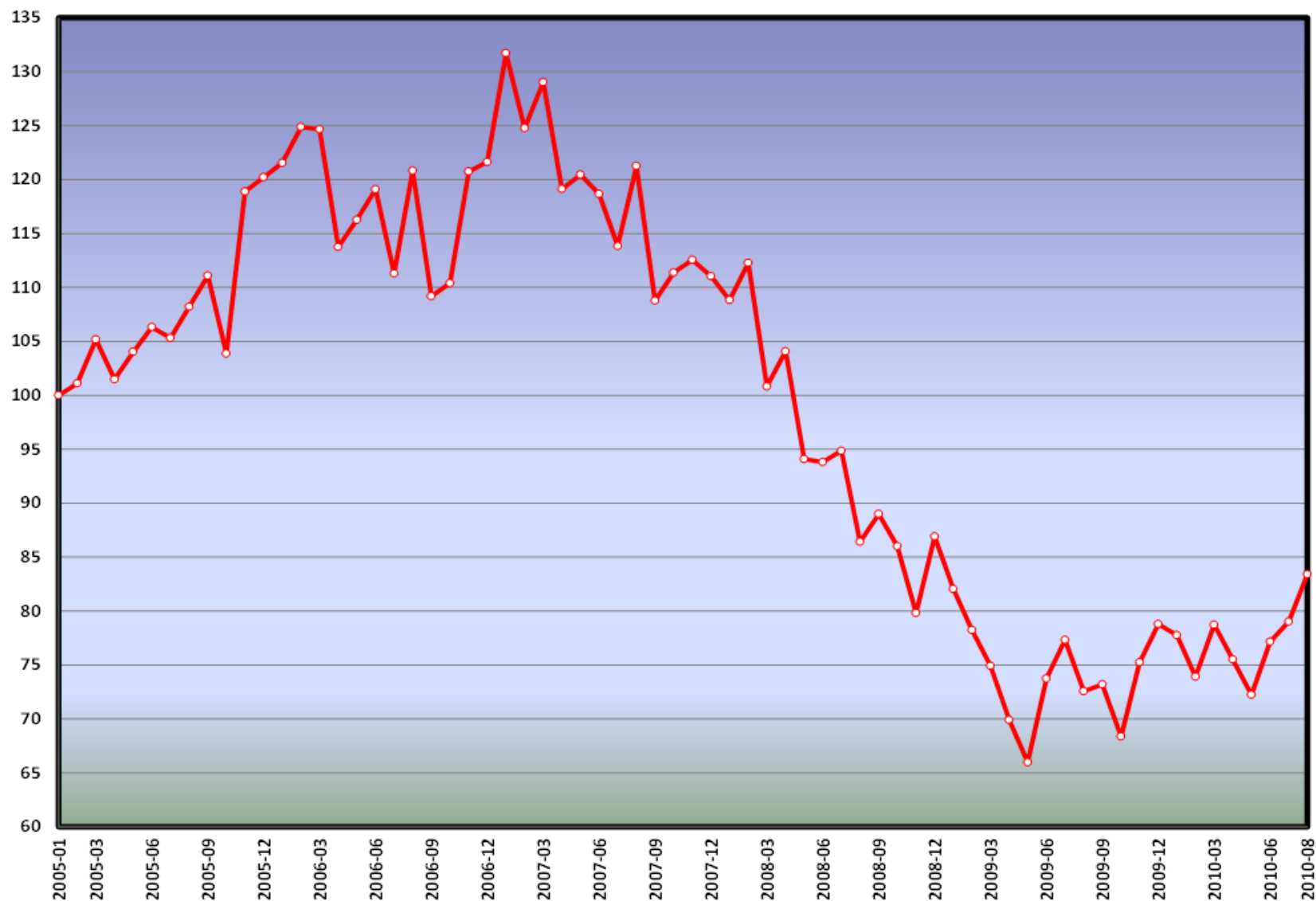
As you look toward setting 2011 volume budget, you plan to grow your business:

2010 DATA

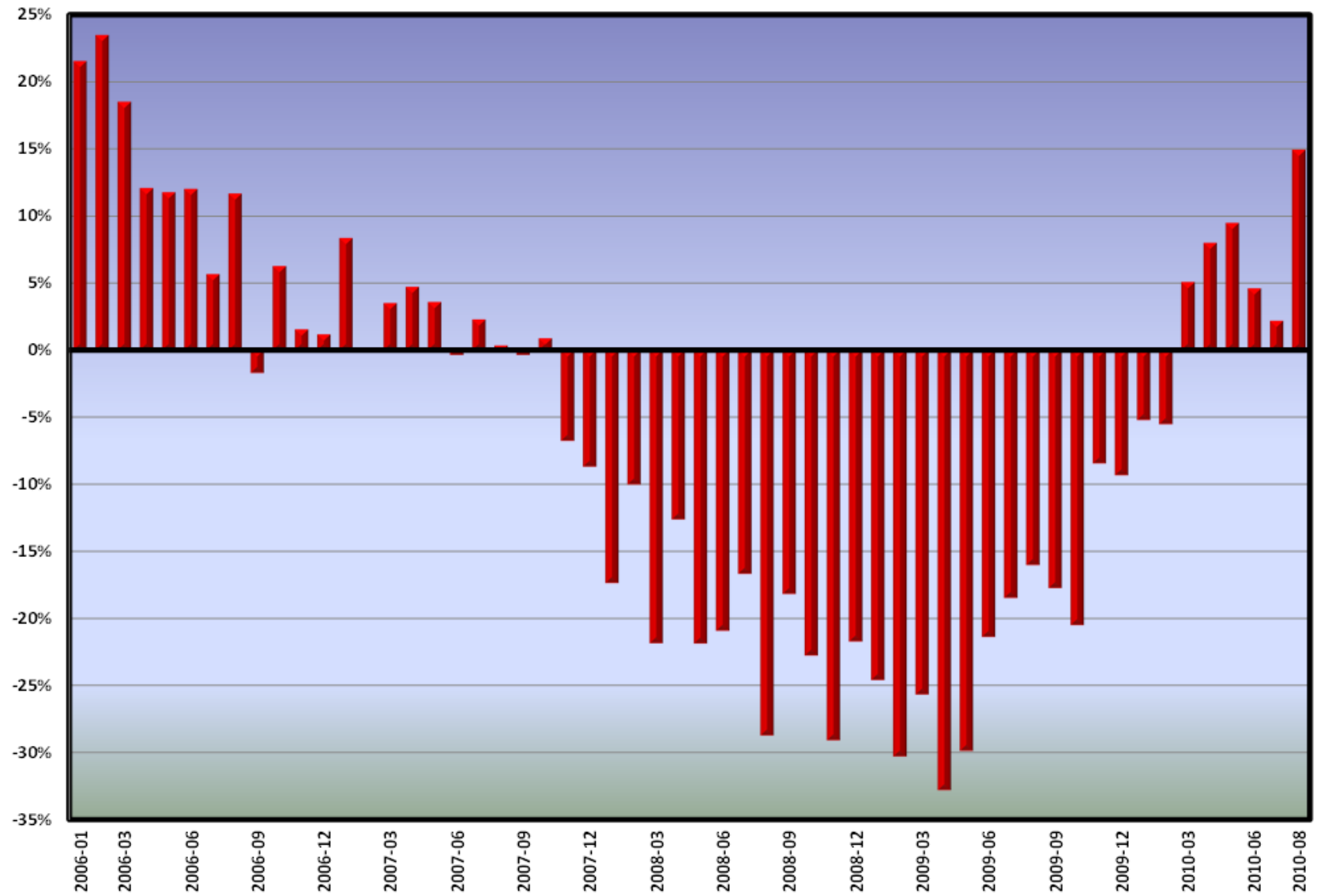
2009 DATA

12%	Greater than 25%	13%
39%	15% to 25%	42%
45%	Less than 15%	32%
4%	0% Remain flat	3%
0%	Reduce by -1% to -20%	3%
0%	Reduce greater than -20%	6%

Thomson Reuters/PayNet Small Business Lending Index



Thomson Reuters/PayNet SBLI Percent Change vs. Year Prior



Portfolio Quality

Nancy Pistorio

Madison Capital LLC

Tom Ware

PayNet

Data Trends



Over the last 12 months, has your delinquency:

2010 DATA

2009 DATA

8%

Increased significantly

50%

8%

Increased slightly

25%

20%

Stayed the same

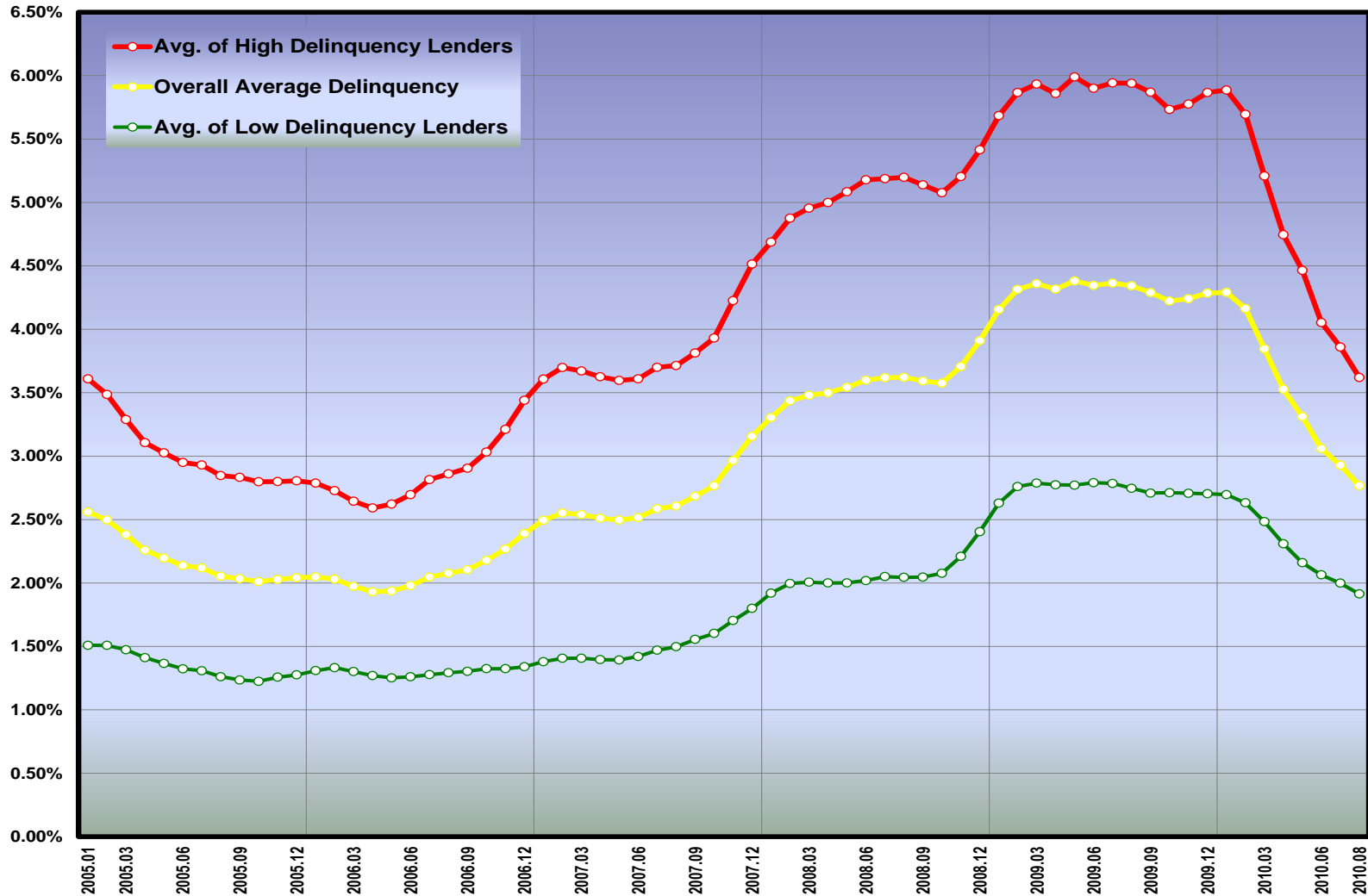
11%

63%

Decreased

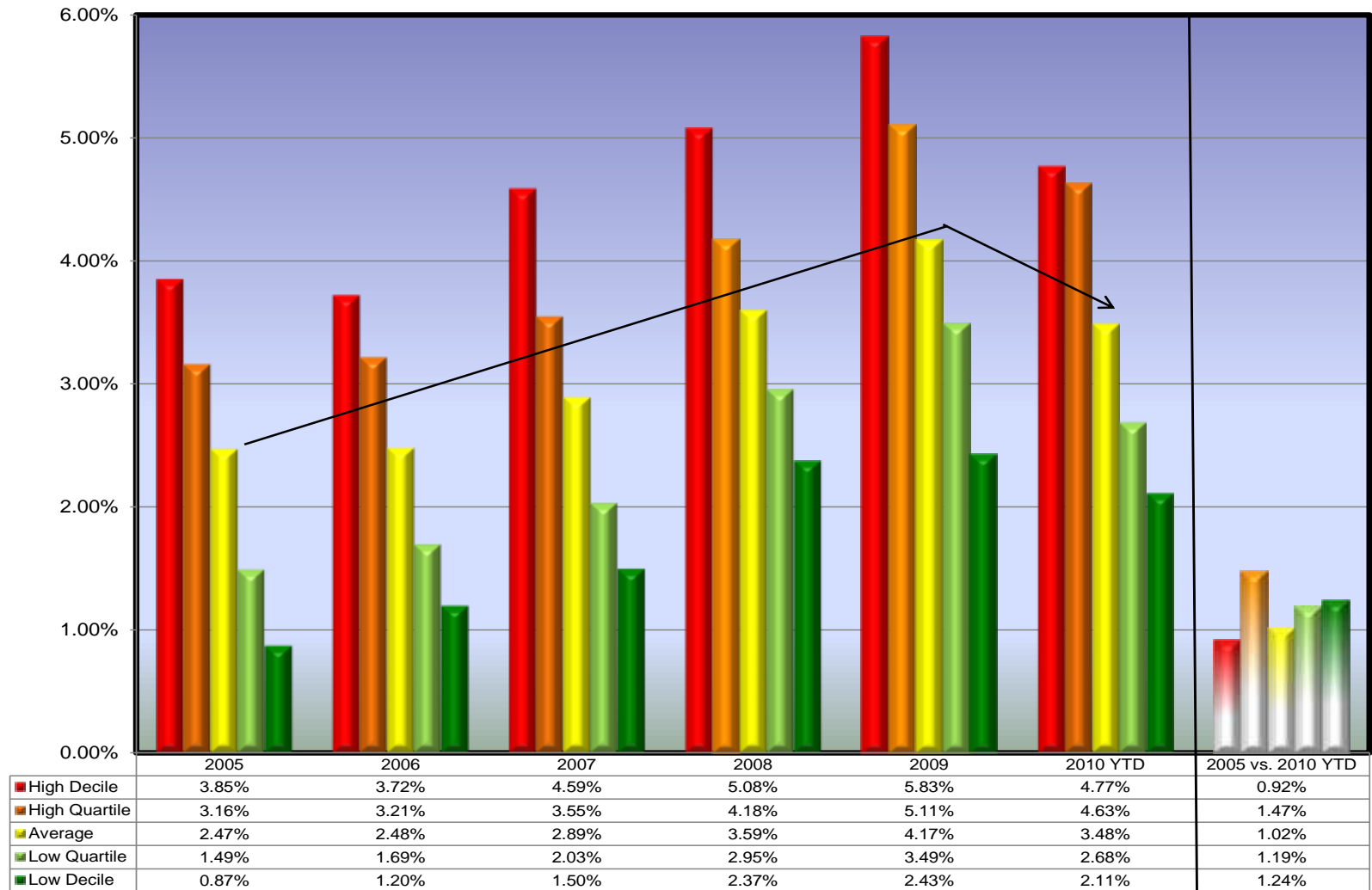
14%

30 Day Delinquency %



30 Day % - High vs. Low Risk Lenders

Small Ticket Transactions



Over the last 12 months, have your losses:

2010 DATA

2009 DATA

14%

Increased significantly

52%

6%

Increased slightly

31%

59%

Decreased

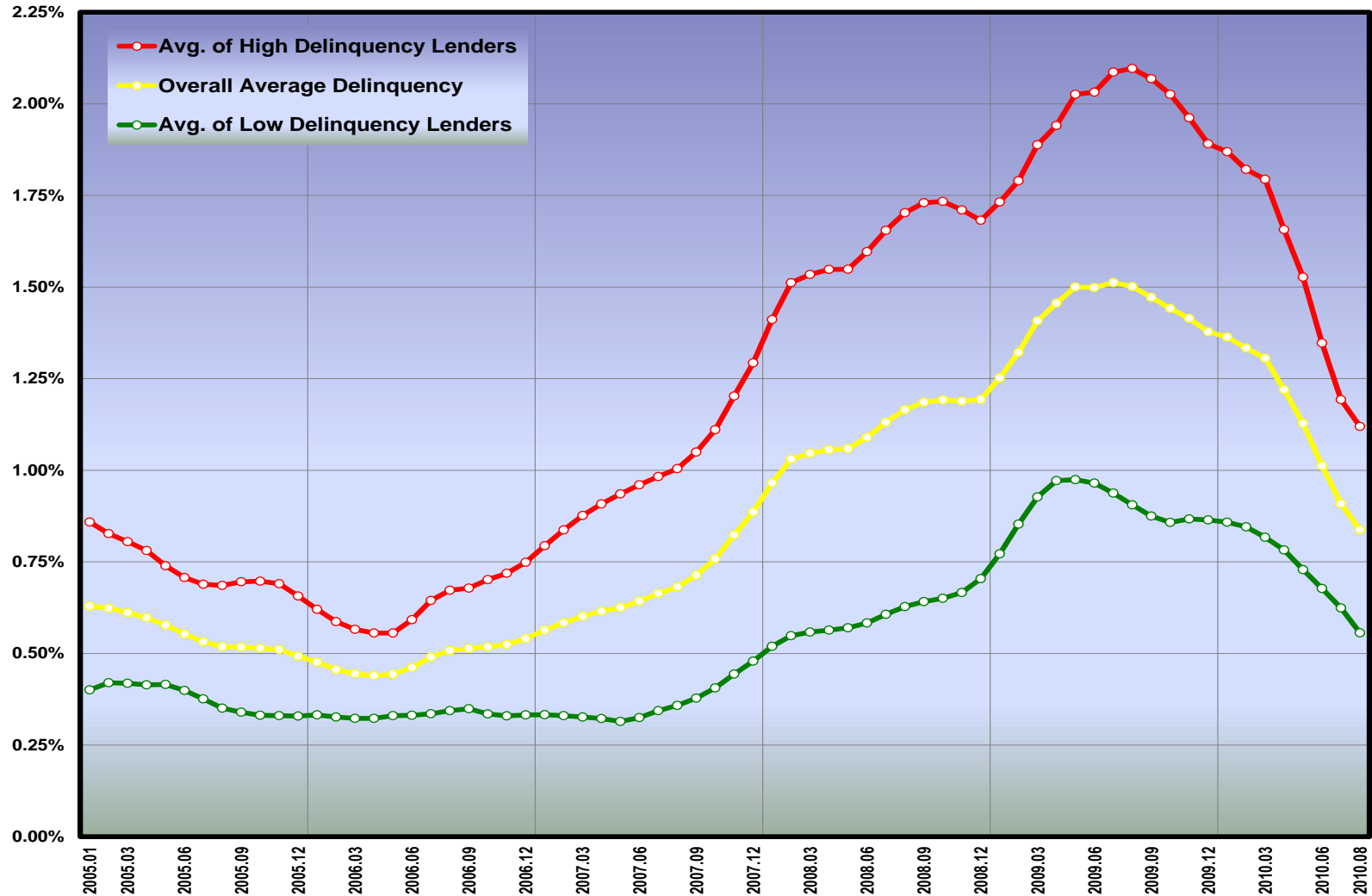
10%

20%

Stayed the same

7%

90 Day Delinquency %



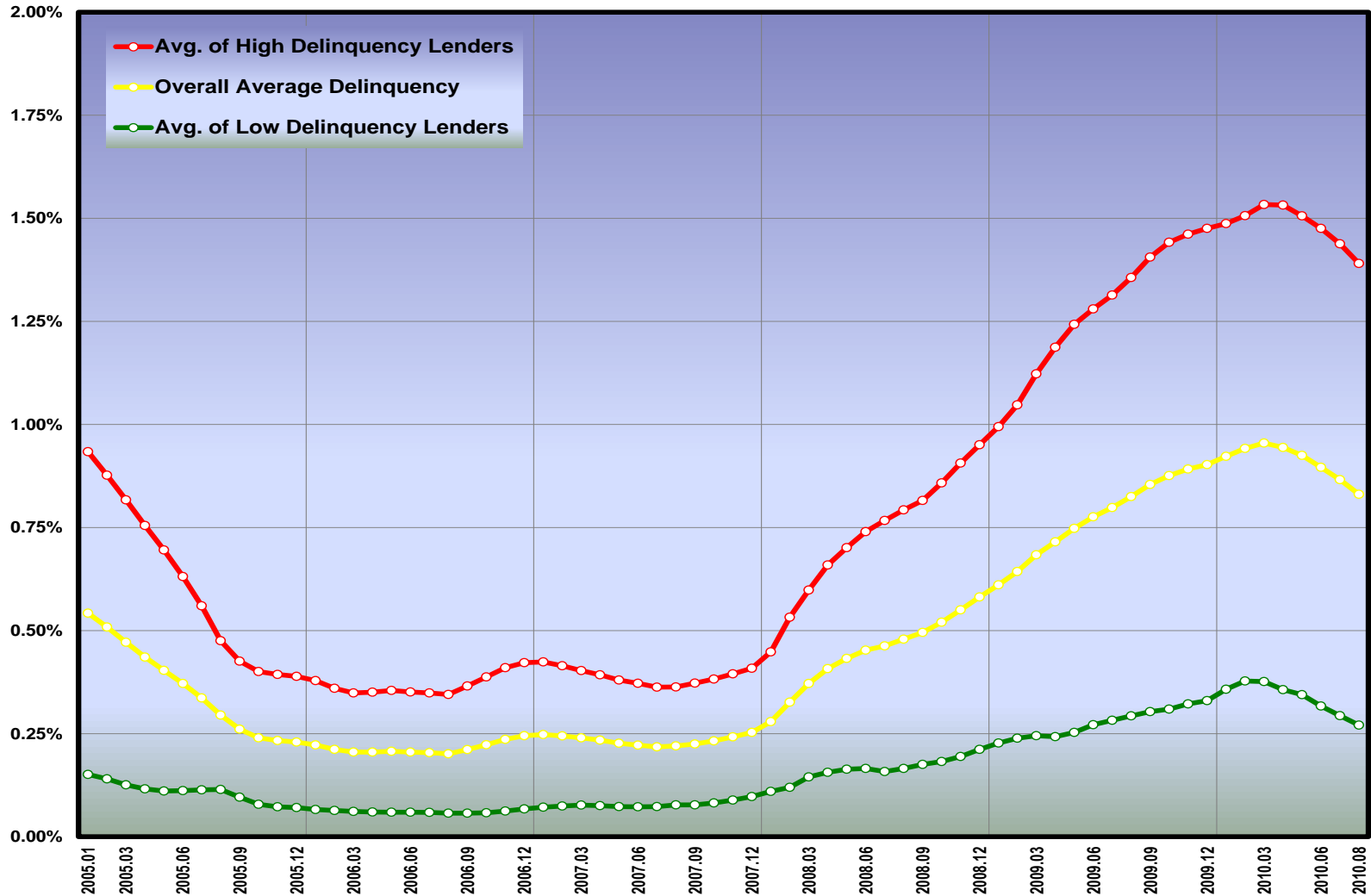
Over the last 12 months, has the number of extensions/re-writes:

2010 DATA

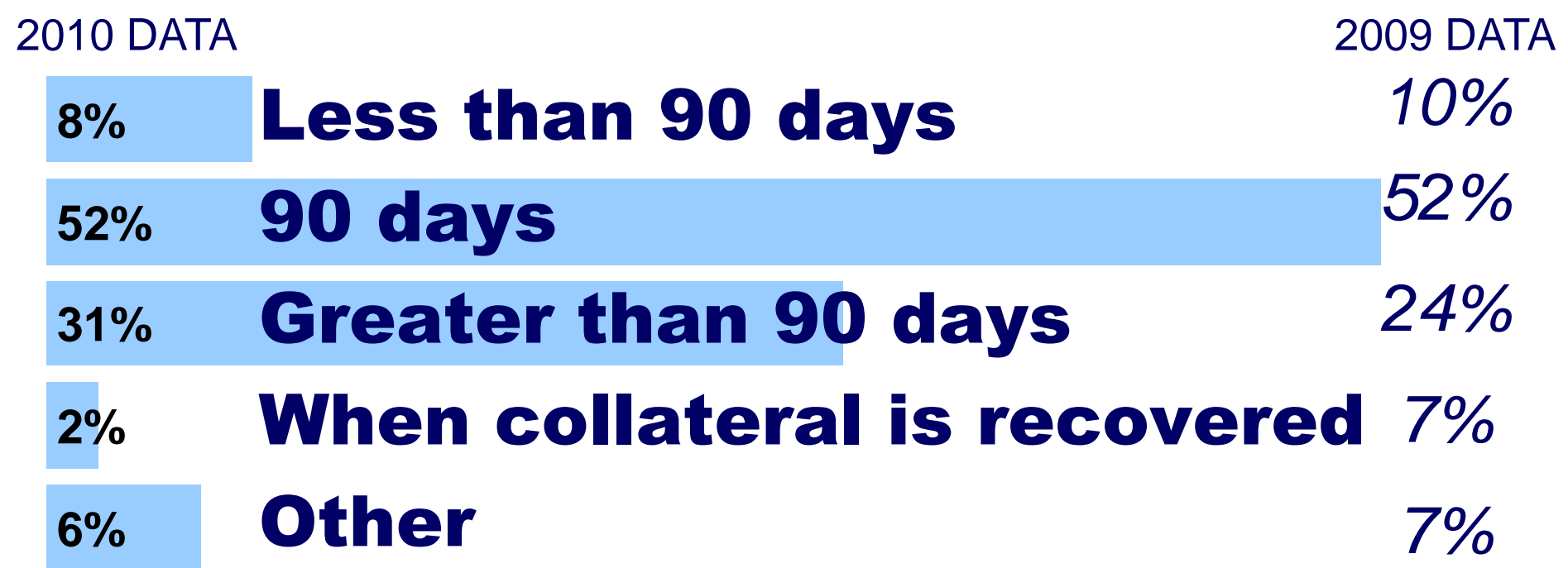
2009 DATA

17%	Increased significantly	53%
17%	Increased slightly	20%
40%	Decreased	0%
27%	Stayed the same	27%

180 Day Delinquency %



When is a delinquent account considered non-performing?



When is an account considered a loss?

2010 DATA

4%

Less than 90 days

2%

90 days

17%

120 days

11%

150 days

13%

180 days

13%

180 + days

40%

**When collateral is sold and
actual loss determined**

2009 DATA

0%

12%

27%

8%

15%

4%

35%

Have your smaller borrower's delinquency increased more than your large borrower's?

2010 DATA

11%

Significantly

30%

Somewhat

53%

Stayed the same

6%

Decreased

2009 DATA

22%

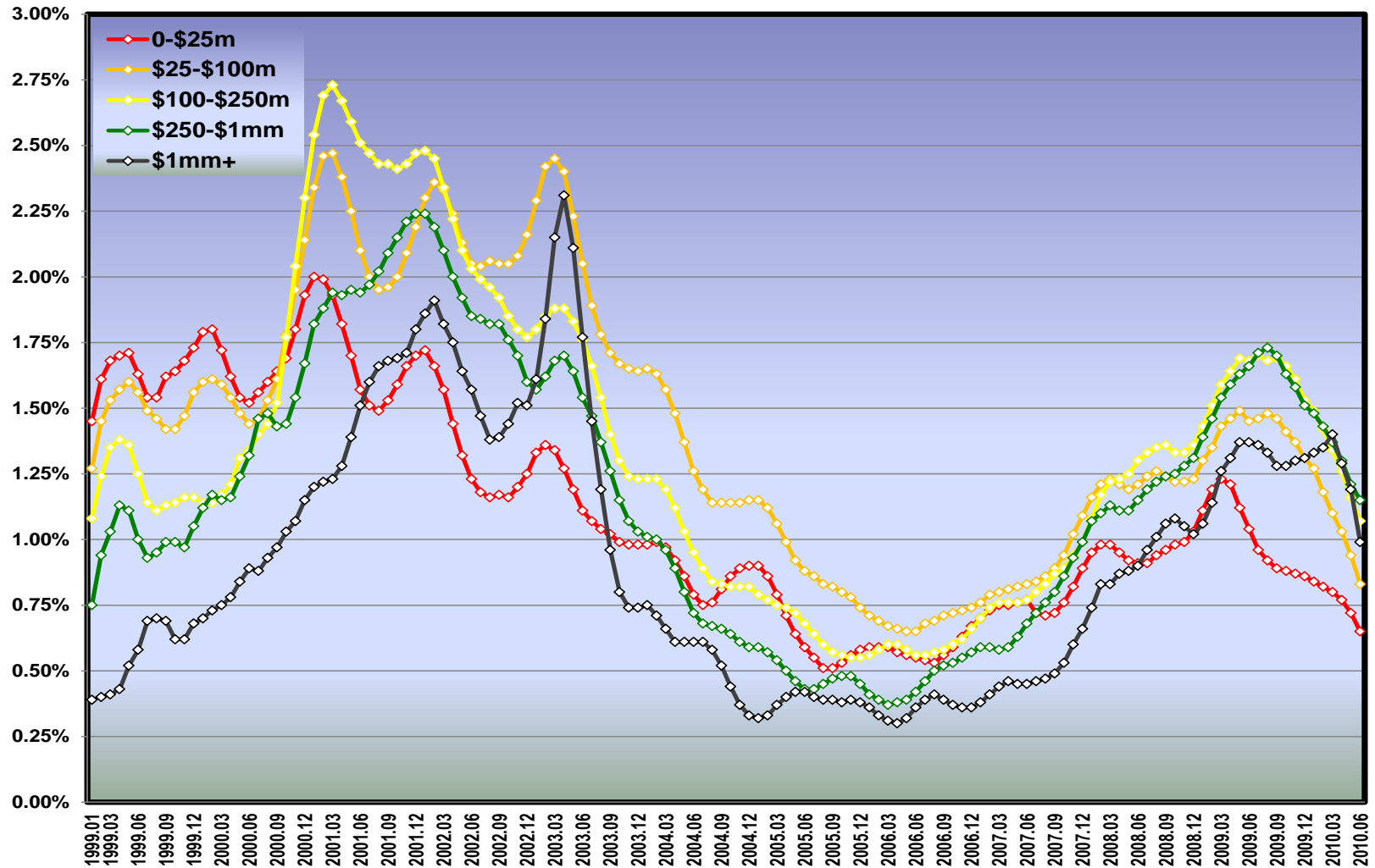
41%

37%

0%

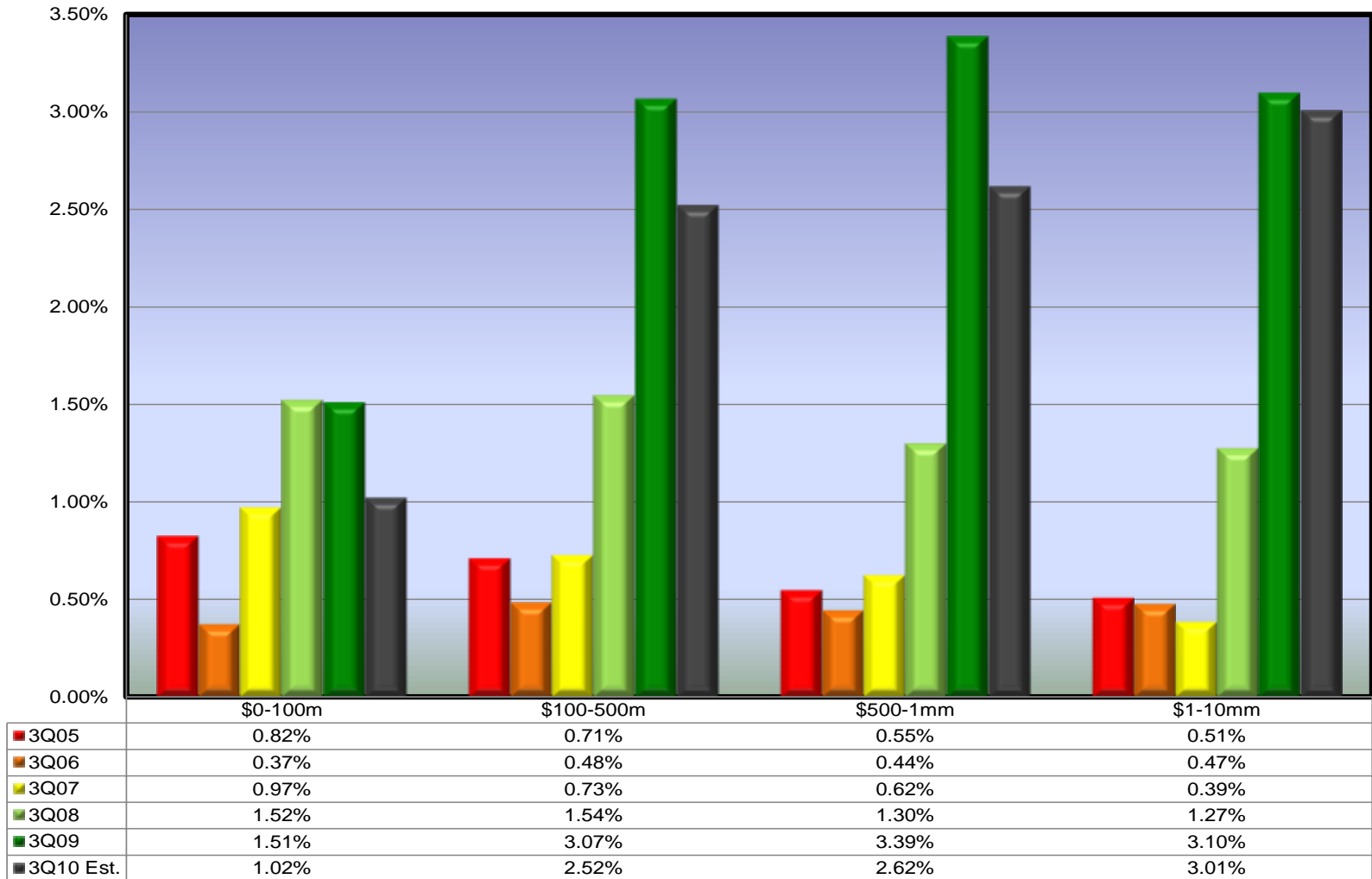
90 Day % Small vs. Large Borrowers

by Borrower High Credit Amount



90 Day % by Borrower Size

Size Based on Borrower High Credit Amount



Credit Environment: Over the last 12 months, your credit policy has:

2010 DATA

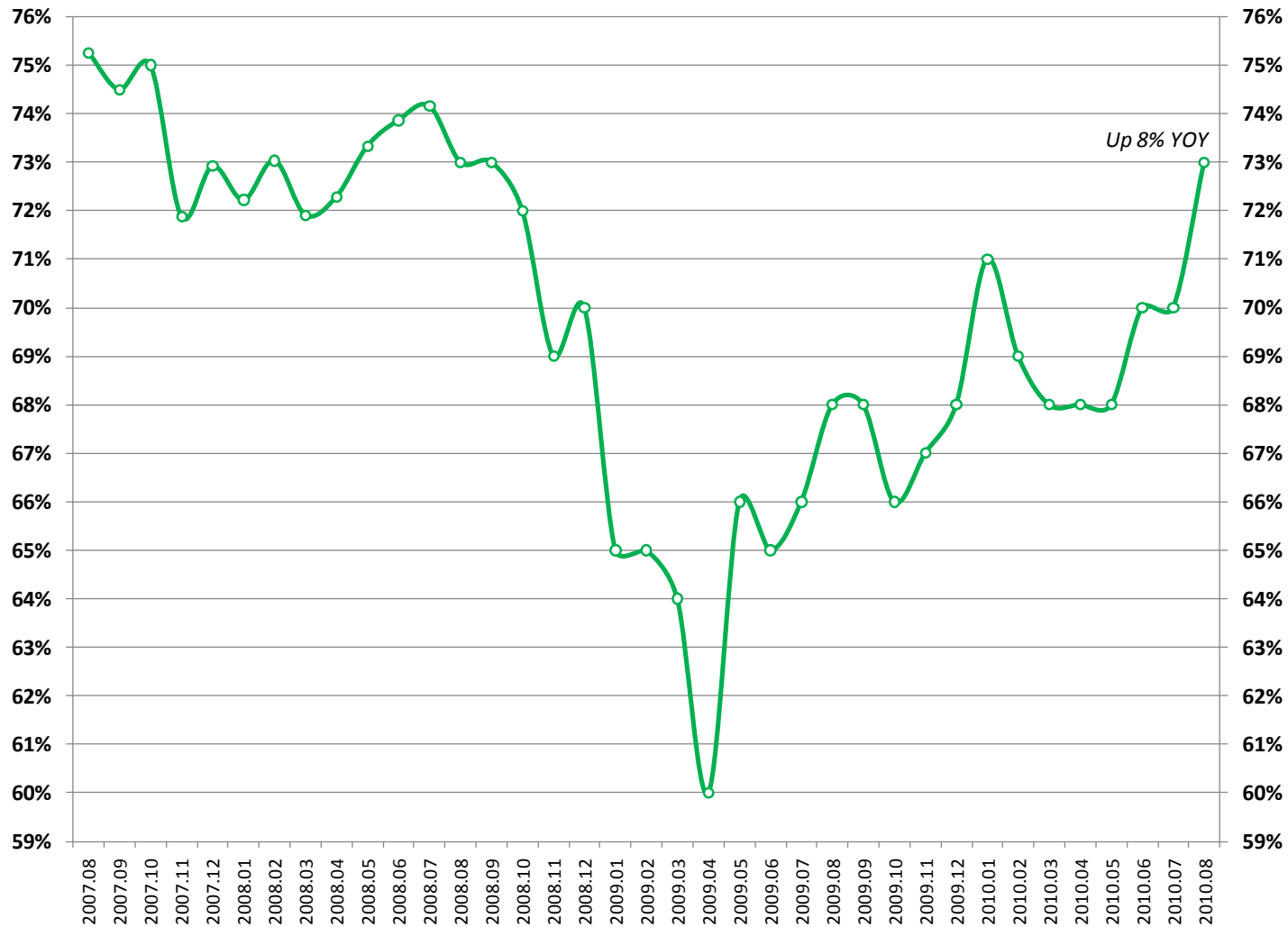
2009 DATA

12%	Significantly tightened	43%
49%	Tightened somewhat	54%
18%	Not changed	4%
20%	Eased Slightly	0%
0%	Eased Significantly	0%

Policy Adjustment by Company Type

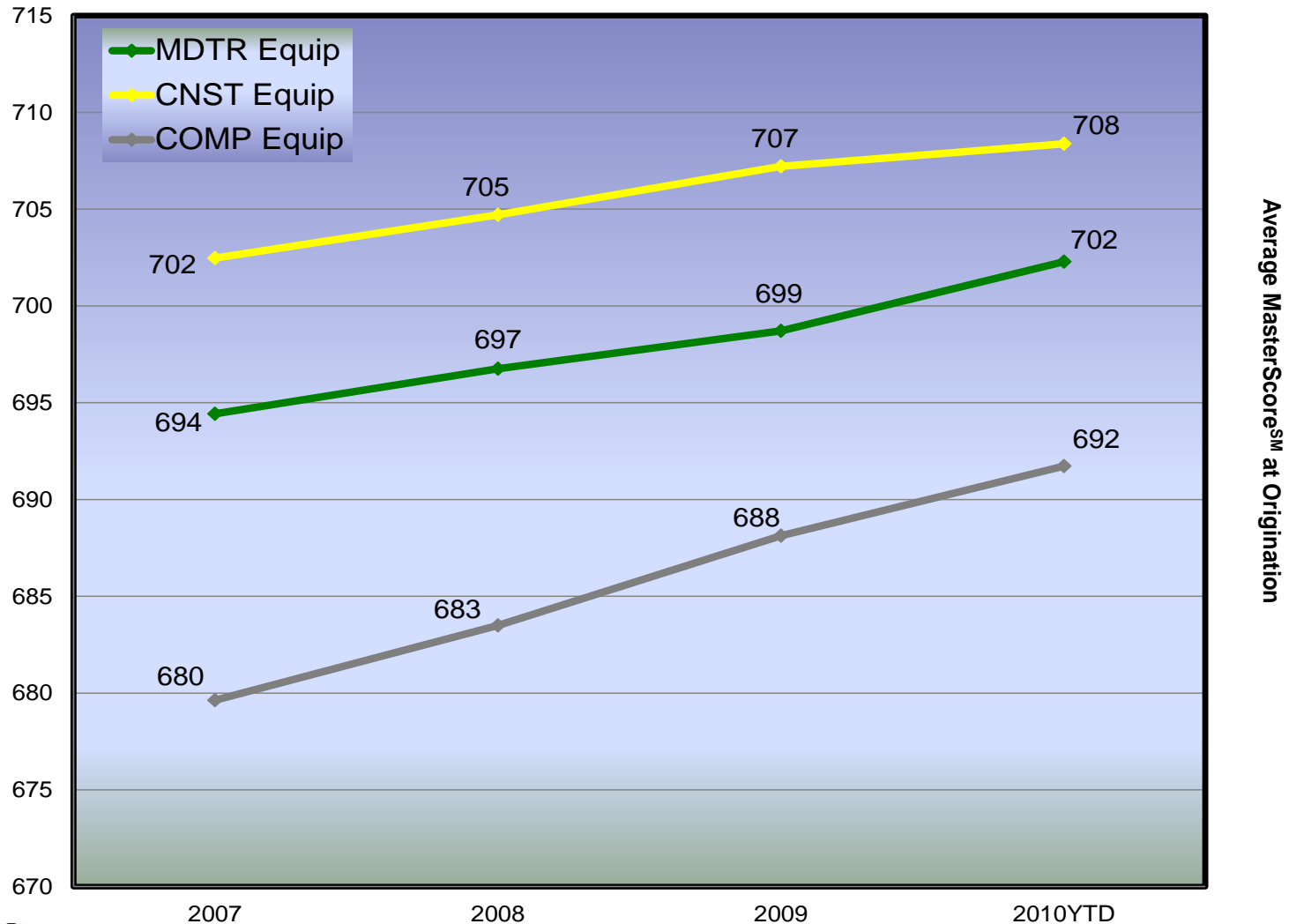
	Overall	Indep	Bank	Captive
Significantly tightened	12%	12%	13%	12%
Tightened somewhat	49%	36%	60%	49%
Not changed	18%	28%	0%	18%
Eased Slightly	20%	24%	27%	20%
Eased Significantly	0%	0%	0%	0%

Credit Approval Rates



Average Credit Score of New Originations

Medium Duty/Construction/Computer 2003-1Q 2010



Over the next 12 months, do you expect credit policy to:

2010 DATA

2% **Significantly tighten**

10% **Tighten somewhat**

48% **Not change**

40% **Ease slightly**

0% **Ease significantly**

2009 DATA

7%

10%

62%

17%

3%

Projected Policy Adjustment by Company Type

	Overall	Indep	Bank	Captive
Significantly tighten	2%	0%	7%	0%
Tighten somewhat	10%	4%	20%	38%
Not change	48%	50%	40%	38%
Ease slightly	40%	46%	33%	25%
Ease significantly	0%	0%	0%	0%

Over the next 12 months, do you expect delinquency to:

2010 DATA

2009 DATA

0%	Significantly increase	7%
12%	Increase somewhat	20%
27%	Not change	7%
57%	Improve somewhat	57%
4%	Improve significantly	10%

What will be the strongest originations growth market in the next 12 months?

2010 DATA

2009 DATA

6%	1) Construction	9%
13%	2) Industrial/Manufacturing	4%
2%	3) Material handling	0%
15%	4) Healthcare	43%
13%	5) Office Products	4%
26%	6) Technology/Telecom	9%
0%	7) Aircraft	0%
15%	8) Commercial Vehicles	9%
11%	9) Other	22%

Closing Points

- **Please update your profiles**
 - **Make sure you have small ticket listed as one of your business councils to receive small ticket oriented communication**
- **Leave a business card in the back or email me at robert.boyer@susquehanna.net if you want a copy of the presentation.**
 - **If your profile reflects small-ticket you will receive automatically.**

ELFA Small Ticket Business Council Meeting

Thank You for coming

