COMMUNITY BANKS AND EQUIPMENT FINANCE –
What It Takes To Be A Success

EQUIPMENT LEASING & FINANCE
FOUNDATION
Your Eye On The Future

The Foundation is the only research organization dedicated solely to the equipment finance industry.

The Foundation accomplishes its mission through development of future-focused studies and reports identifying critical issues that could impact the industry.

The Foundation research is independent, predictive and peer-reviewed by industry experts. The Foundation is funded solely through contributions. Contributions to the Foundation are tax deductible.

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Preface:

Purpose of the Study: The Equipment Leasing & Finance Foundation awarded a grant to Wheeler Business Consulting LLC in order to conduct a comprehensive research study and develop a report document which identifies the participation of community banks in the equipment finance and leasing industry; and more importantly, to identify those key characteristics which determine success over failure. Many community banks have participated in the equipment finance arena on several different levels over the years, some with tremendous success and others with limited or no success. The study examines whether or not the current economic environment creates an opportunity for community banks; and if so, what steps need to be taken to ensure that a community bank properly enters and/or expands its involvement in the equipment finance industry in a manner which provides the greatest value. It explores the benefits which are actually derived for community banks pro-actively engaged in the equipment finance and leasing industry.

The study is made possible by the gracious support of the Independent Community Bankers of America (ICBA), the Equipment Leasing and Finance Association (ELFA) and the professional leadership of the staff of the Equipment Leasing & Finance Foundation. As a thirty year veteran in the equipment finance and leasing industry and a current consultant in the industry, the study relies upon my personal and business experiences, as well as survey results and personal interviews. Numerous professionals in both the equipment finance and leasing industry and the community banking industry contributed to the research process (please refer to the reference section of the study).

Process and Participation:

The process of gathering data included:

- Contacting and meeting with Community Bank Associations (ICBA and state associations). The various associations provided general information in reference to the community banks' current concerns, challenges, regulations, and economic forecast as it influences community banks and their involvement in commercial & industrial (C & I) equipment funding.
- Investigating various resources in the equipment funding industry and the community banking industry such as: articles, service provider data and government agency data.
- Conducting electronic surveys to community bank executives and current bank leasing executives and officers. The survey included the responses of sixty-one community banks (which represent approximately 1% of the ICBA membership - the sampling is a fair representation of the industry with approximately 85% of the respondents coming from community banks with less than $1.0B in assets).
- Meeting with independent commercial financing/leasing organizations and service providers who are currently engaged in relationships with community banks.
- Interviewing a variety of different community bank representatives directly.

- Attending conferences in both industries and monitoring break-out sessions covering various topics regarding community banks and C & I involvement.
- Engaging with a small group of community bank executives and commercial equipment financing/leasing professionals, after the gathering of data, to obtain feed-back in regards to the findings and to explore trends, inconsistencies and voids in the data.

Scott A. Wheeler, President
Wheeler Business Consulting LLC

ICBA
INDEPENDENT COMMUNITY BANKERS of AMERICA®

Independent Community Bankers of America (ICBA) is pleased to have participated with the Equipment Leasing & Finance Foundation (ELFF) in a study to produce the report: Community Banks and Equipment Finance – What it Takes to be a Success.

As you well know, community banks are faced with many challenges due in part to economic malaise and a tightening bottom line. At a time when loan demand remains relatively flat, the industry is looking for new ways to diversify lending portfolios, provide new products and services to small and medium size business customers and find new sources of revenue.

This report serves as an insightful reference and road map for community banks looking to provide additional value by leveraging existing small and medium sized business customers. The report sheds light on various opportunities and useful tips for success that community banks have in equipment leasing and finance.

ICBA encourages you to review this report and fully utilize the information in your bank's quest to best serve your small and middle-sized business customers.

Executive Summary:

The financial services industry worldwide has been battered by the financial crisis of the past three years. The commercial equipment financing and leasing industry and the independent community banking industry in the United States have both been significantly impacted by the downturn, and many challenges remain. The traditional Playbooks, which for years provided safe and proven guidance to success and profitability, were discarded or many pages were ripped from the golden binding which once graced executive board rooms. Community banks and commercial equipment lenders are emerging in the new economy with a renewed sense of positioning themselves in the market, serving small and medium sized businesses, and providing unique value to their stakeholders with superior, personalized service. Leaders in both industries are committing themselves to adding new pages to their Playbooks and creating teams which are able to execute with perfection on the field. Playbooks are no longer dusty reference books that remain unchanged on the shelves. Surviving companies must be willing to try new plays, invest resources, and be committed to delivering products which provide real value to their fans (customers). The creation of new Playbooks takes leadership, innovation, and confidence. Organizations can safely expand their capabilities and grow assets when they have well-defined Playbooks which properly align with their organizational strategies.

The attributes of the strongest community banks and equipment financing and leasing organizations are greatly aligned with one another. Many community banks have, over the years, successfully embraced the commercial equipment finance and leasing industry. As community banks seek to rewrite their Playbooks, they will re-examine their involvement in the commercial and industrial markets, especially as it relates to equipment funding. Banks which are already properly positioned in the equipment financing and leasing industry are being rewarded for their additional offerings. Commercial and industrial assets, along with lease receivable assets, have significantly outperformed other assets held by banks during the current downturn - with both asset groups ranking number one and two in performance for bank assets since prior to mid-2007.

> The Federal Reserve statistics reflect second quarter of 2011, C & I assets and lease receivable assets having a delinquency ratio of 2.17% and 1.08 % respectively compared to all assets held by banks having a delinquency rate of 5.97%. Equally as important, the charge-off ratios for the second quarter of 2011; C & I assets and lease receivables assets having a charge off ratio of .16% and .91% respectively compared to all assets held by banks having a charge off ratio of 1.68%.
>
> The FDIC statistics on Depository Institutions reports as of June 2011 the following: For banks under $1.0B in assets - C & I loans account for 14.20% of all assets and lease receivables account for .41% of all assets. For banks over $1.0B in assets - C&I loans account for 18.37% of all assets and lease receivables account for 1.62% of all assets.

Historically, C & I assets and lease receivables have performed well for all banks, yet they make up a very small percentage of total assets held by banks. The research indicates few banks include C & I and lease receivables within their Playbooks; however, for those banks which properly offer these services, the results are positive.

Community banks are often attracted to the commercial equipment finance and leasing industry because of their desire to build higher yielding, diverse assets to supplement their more traditional real estate assets. Diversity and returns are worthy factors in considering adding new pages to one's Playbook. However, the greatest intentions and most thought-out plays don't always convert into wins. Diversity and higher yielding assets are byproducts of a well-executed equipment finance/leasing operation within a bank. Scoring big is a result of consistently executing on each play and being able to complete the three yard running play as well as the thirty yard pass. Community banks which are successful in the equipment funding industry fully integrate the equipment product into the overall objectives of the bank. The long-term sustainable proposition for establishing and/or maintaining an equipment leasing division/subsidiary is to enhance the strategy of the bank. Every community bank should consider if a strong equipment product allows the bank to better serve its clients, if a strong equipment product allows the bank to reach its vision and if a strong equipment product allows the bank to enhance its value for all stakeholders.

Results depend upon more than having the correct Playbook - success takes talent. The study uncovers several pillars for success. The primary factor is leadership. Success starts at the top; in order for a community bank to be successful in the commercial equipment finance and leasing industry, the bank board and executive team must understand and embrace the equipment industry. Additionally, the bank needs a "Star Quarterback" to execute the plays and lead the equipment division. The leader of the equipment division must possess extensive and in-depth industry expertise. In addition, the divisional head must understand the integration of the equipment operation into the overall bank strategy. A successful equipment division requires the ability of the leader to build a team of internal and external partners which are capable of delivering results that align with the bank.

The leadership must have a foundation which is supported by the following pillars of success:

- Industry Expertise
- Strategic Alignment
- Proper Controls and Systems
- Diversity and Safety
- Value-Added Proposition
- Integration into the Bank

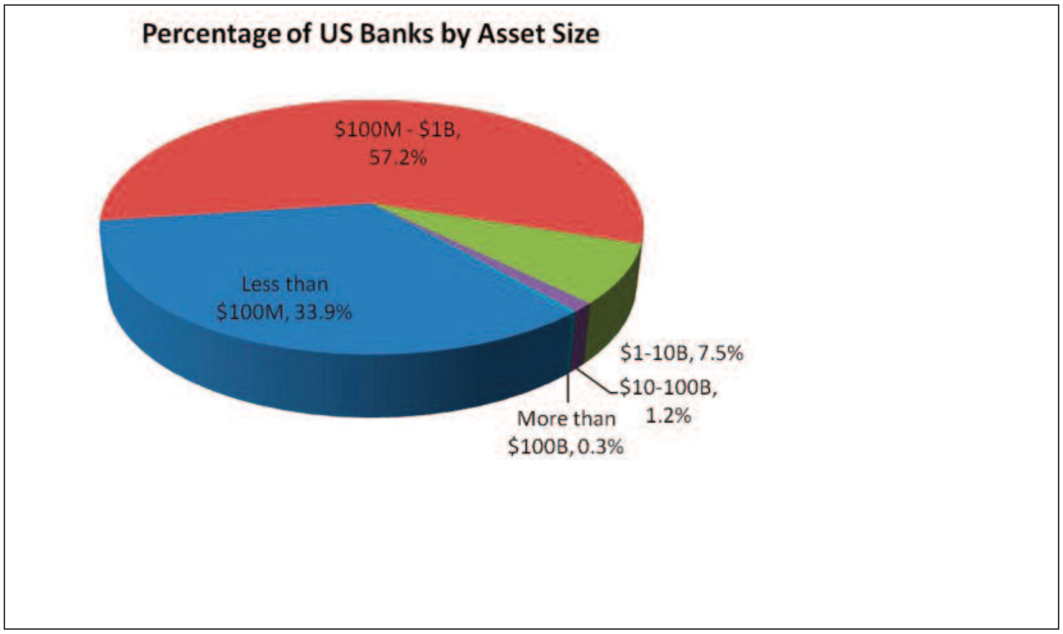
Community banks of every size have the opportunity to enter or expand their involvement in the equipment finance and leasing industry. Executed properly, equipment financing and leasing products will enhance a community bank's ability to engage small and medium size businesses. The equipment finance and leasing industry is different than traditional community banking. The essential equipment market should never be riskier than other assets; however, the industry needs to be well understood, because mistakes are costly. As community banks embrace the new economy, equipment assets provide several attributes which will enhance the value of community banks:

- The terms of loans and leases on equipment are usually significantly shorter than other assets which will be beneficial in a rising rate environment. Shorter terms and higher yielding assets will be sought after when depository costs eventually increase.
- There is a pent-up demand by businesses for essential equipment. As the pent-up demand is released in the near term, there will be the opportunity to engage with small and medium sized businesses. It is the expectation that equipment activity will improve significantly quicker than the commercial real estate market.
- Community banks with equipment capabilities will add additional services and value to existing clients. In addition, equipment products can help bankers to prospect and develop new business clients. Equipment products can strengthen business relationships and community involvement.

There is no one Playbook which accommodates every company. Community banks will need to redefine themselves individually. Depending upon their individual visions and resources, community banks who properly position themselves in the equipment finance and leasing industry will thrive. Those community banks will be focused on the future rather than the past, by adding new pages to their Playbook and by embracing the possibilities of success.

Definitions:

Community Banks: Community banks are most commonly defined as banks located in small towns, cities and local communities; owned and managed by individuals closely tied to the local business community. Community banks service the needs of local consumers and businesses within a relatively small, well defined geographic footprint. In the past, community banks were commonly distinguished by their asset size of less than one billion dollars. However, as banks have grown their assets over the past decades, it is not unusual to find a growing number of banks with assets in the one billion to ten billion dollar range affiliating themselves with the community bank status. The majority of all U.S. banks (91.2%) have assets under $1.0 billion. With over 7,000 community banks nationwide - community banks make up 98% of all banks in the country.



Source FDIC 6/30/2011
The Independent Community Bankers of America (ICBA) publishes a summary of facts about community banks which can be found at: http://www.icba.org/files/ICBASites/PDFs/cbfacts.pdf.

Community banks have historically been associated with consumer lending (home mortgages, home equity loans, car loans, and student loans) and small business lending secured mostly by commercial real estate or residential real estate under development. The community banking model has historically been strong, because of the close ties the bankers held within the community and local expertise concerning market conditions and trends. However, because of the mobility of our population, technological changes, advances within banking over the past twenty years and competitive pressures, community banks have been forced to innovate and change over the past decade in order to survive. The electronic services offered today are significantly different and improved over the capabilities which were available just ten years ago. These advances have at times commoditized the banking experience and forced community banks to stray away from their strongest historic core competencies. The community banking industry is not unlike most financial services sectors which have been highly commoditized over the past decade.

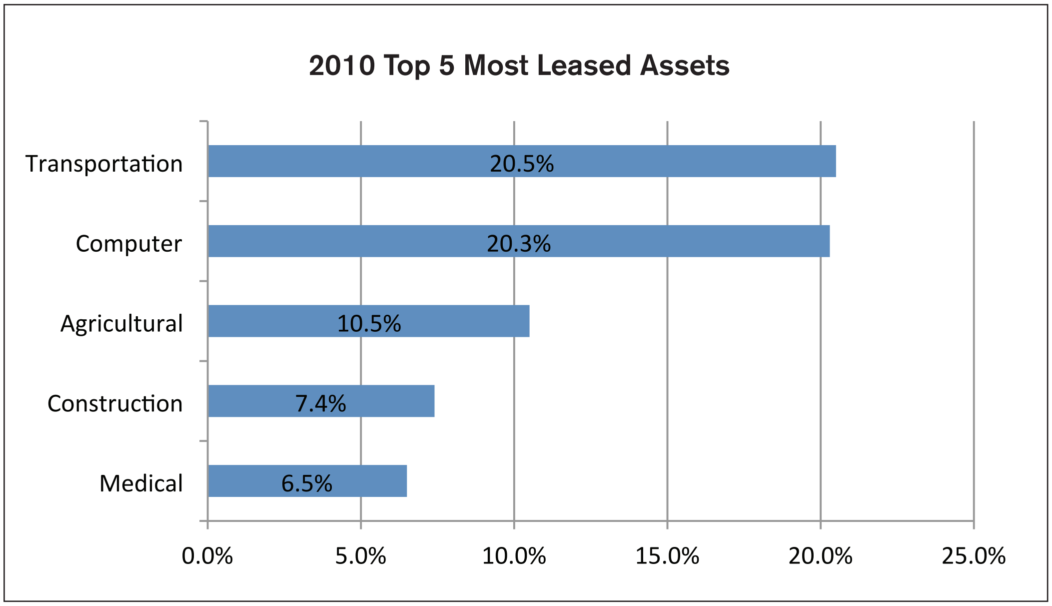
It is commonly believed among community banks that much of the 2008 financial crisis was caused by the actions of larger banking institutions; however, the community banks have been and will continue to be disproportionally affected by the influx of regulatory changes, costs and enforcements. Consequently, community banks are well aware of the current need to diversify their portfolios and to create new sources of income.

Community banks continue to face many challenges including:

- Quality of loan portfolios
- Regulatory & compliance issues and related cost
- Diminished demand for quality loans
- Shortened terms on time deposits

Despite these challenges, strong community banks continue to perform well and service the needs of their clients while posting strong, bottom line results. Community banks continue to be the lifeblood of small and medium size businesses throughout the country and a critical source of capital for growth in our economy. Innovation, creativity and entrepreneurship will continue to redefine, reshape and confirm the significance of community banks in our nation and more importantly, the Main Street economy.

The Equipment Finance/Leasing Industry: The equipment finance & leasing industry is a $500 billion plus industry. The participants in the industry include organizations of all sizes from single practitioners (originators/brokers) to multinational financial service companies, banks and manufacturers (GE Capital, Bank of America, Caterpillar Financial Services). The industry provides diverse financial services to businesses acquiring all types of capital equipment. The industry is commonly segmented by transaction size (small ticket, middle market, and large ticket) with transactions ranging from a few thousand dollars to multi-millions of dollars. The industry funds an endless range of equipment types including, but not limited to: small office equipment, transportation equipment, construction equipment, medical equipment, technology equipment, and manufacturing equipment. Many participants are specialists in equipment types and others are generalists and fund transactions in multiple sectors.



2011 Survey of Equipment Finance Activity

The product offerings vary and include: equipment finance agreements, commercial loans, purchase agreements, capital leases, operating leases, leveraged transactions, equity positioned transactions, and various other structures. The industry is very fragmented and is multi-dimensional. Its success over the last few decades has been the industry's ability to innovate, be creative and flexible to react to the ever changing needs of commercial clients. Because of the industry's diversity, it has serviced the needs of small businesses along with Fortune 100 companies. The equipment finance/leasing industry is engaged with a majority of all businesses in the country and funds equipment acquisitions at every stage of their business life cycle.

The 2008 financial crisis had a tremendous effect on the equipment finance/leasing industry. Portfolio quality deteriorated quickly for the equipment finance industry and caused multiple and severe delinquency challenges over the past three years. However, overall equipment leasing and C & I portfolios performed considerably stronger than other asset groups. Not unlike the "Perfect Storm" which hit our industry in the early 1990's and again in the 2000-2001 period, the recent financial crisis eliminated many major industry players who accepted too much risk at the top of the market and were ill prepared for the financial collapse. At the beginning of the financial downturn, the supply of capital contracted quickly and funding availability was extremely limited. Since mid-2010, the supply of capital to the industry has progressively improved, especially for stronger transactions. The current stifling factor is a downward pressure of demand for capital equipment. Activity is rebounding from its lowest points in 2009; however, equipment lending and leasing activity is growing at a languishing pace and more noticeable is the inconsistency of activity throughout the industry.

The good news is the industry is positioned for the inevitable release of pent-up equipment demand. Businesses of all sizes and types have delayed infrastructure upgrade to plant and equipment over the past three to four years. Much of the activity funded over the past two years has been pure replacement of worn out equipment. At some point, businesses on a wide scale will return to equipment acquisitions for the purpose of future growth and expansion. The equipment finance and leasing industry will embrace and support that business activity, as it has so many times in the past, and be a critical partner in "real" economic growth and recovery. The hope is the lessons of the past few years will not be so easily forgotten and organizations will properly match their risk and rewards matrixes to ensure long-term sustainability.

Levels of Involvement:

Community banks are able to participate in the funding of commercial equipment on various levels. It is appropriate that each bank determine their involvement based upon its current corporate mission, vision and strategy. There is no one path of participation which is optimal for all banks. Community banks of all sizes are actively involved in the equipment financing & leasing industry - some on a limited basis and others are major participants on a national level. Community banks may choose a step approach and increase their involvement over time.

Syndication of Equipment Transactions: Community banks have the opportunity to outsource all of the processes and risk of equipment transactions. Most community banks' commercial clients are already using other financial resources to fund their capital equipment. Nearly 80% of all businesses finance their equipment outside of traditional bank lines of credit. For years, community banks have partnered with third party finance and leasing companies in order to provide their customers with an equipment solution. However, traditionally, the community banks have not aggressively promoted the equipment products and have left their customers to fend for themselves with regard to equipment acquisitions – opening the door for competitors to better serve their customers. There are multiple programs available to community banks to syndicate their equipment transactions to local and national companies. Syndication allows community banks to provide comprehensive lending services for all of their customer's needs; and allows the community banks to strengthen their existing commercial client relationships. Banks are becoming more accustomed to outsourcing various operational processes and product offerings - equipment financing and leasing is a product which should not be overlooked. The various sources available in today's market can provide training, marketing and business development opportunities to encourage community banks to participate in the equipment arena. Syndication is a viable option for community banks looking to generate fee income.

Single Transaction Participation: It is not unusual for most banks to fund single equipment transactions for their existing customers. In addition, many community banks will buy, from third party originating firms, one–off transactions. For several decades, originating firms (brokers) partnered with community banks to fund equipment loans and lease agreements. Many of these relationships were, and remain, mutually beneficial for the financial broker who is seeking access to funding and community banks seeking additional commercial and industrial assets. Over the past decade and prior to the 2008 financial crisis, many broker/community bank relationships were less active; because there was a free flow of capital for the brokers from multiple national sources and the banks were busy building their other core assets groups. However, over the last few years many of these relationships have been redeveloped or strengthened as brokers found less access to capital and banks sought to build assets outside of their traditional real estate portfolios. Most of these transactions were equipment finance agreements or capital leases with dollar purchase options. The banks often serviced the accounts after buying the paper; however, it is not uncommon for the originating firm to sell the stream of payments off to a community bank and for the originating firm to continue servicing the account - remitting collected payments to the bank. The success of broker/community bank relationships is based upon a mutual understanding and acceptance of the goals of the relationship and the parameters of the credit underwriting criteria. As with any business relationship, trust is paramount and both parties must have mutual vested interest and gain mutual benefits from the relationship. Broker operations have experienced tremendous success in the past few years by partnering with community banks and providing the banks with well-defined transactions. These relationships have been a win-win for experienced origination firms and community banks which are disciplined with their buying criteria. The bank must fully understand the transactions being bought and only relinquish servicing rights when the bank has audited the originating firm and is fully comfortable with the actual servicing and reporting process.

Funding Lessors & Equipment Finance Companies: There are many independent equipment finance and leasing organizations across the country with strong balance sheets who are viable community bank clients. These independent companies can range from less than five employees to upward of fifty employees. Many independents depend upon relationships with community banks to provide credit facilities to fund their internal transactions. As with any industry, there are both weak and strong performers in the commercial equipment finance and leasing industry. The veteran companies usually provide expertise in the industry, the equipment types they fund, and most importantly, are strong managers of their businesses. Banks can build assets by providing credit facilities to strong, independent equipment finance and leasing organizations. However, it is important that the bank understand the details of the loan and lease receivables which secure outstanding balances. In the recent past, when some of these facilities failed, and the bank assumed the portfolios, the receivables were secured by lessees and commercial clients who were below par under the bank's normal credit criteria. Therefore, it is important for a community bank, supplying credit facilities to independent equipment finance and leasing organizations, to perform ongoing asset based lending (ABL) audits of company procedures and asset performance.

Strong independent companies have weathered the financial crisis with scars, but have managed to minimize their losses through persistent hard work and negotiation. The delinquencies have continued to decrease since their heights in 2009 and are now well within historical reason. Community banks have once again proven themselves as strong advocates of small businesses and these partnerships have been a significant lifeline for many over the last few years; especially independent, closely held equipment finance and leasing companies.

Purchasing Existing Equipment Finance & Leasing Operations: Over the years, community banks have entered the equipment leasing & finance industry by purchasing existing operations – usually in the way of a subsidiary under the bank holding company. The equipment finance & leasing industry was in vogue for banks in the 1990's and even the early 2000's – with significant multiples being paid by acquiring companies to enter the industry. There was much emphasis on banks becoming more diverse and the community banks followed the bigger commercial banks in adding additional services including: insurance services, financial advisory groups and equipment leasing and financing. However, in more recent years, and because of the economic pressures, there has been a greater trend toward banks divesting themselves of non-core related banking services. In the recent past, the acquisition of equipment leasing & finance companies by banks has diminished to near non-existence. The once robust merger and acquisition market among banks has also greatly diminished during the financial crisis.

The purchase of an existing operation may benefit the community bank. As with any purchase, the start-up process of entering a new business is eliminated and the purchaser has the benefit of reviewing the operation's past and current performance capabilities. Purchasing an existing operation should be entered into only after a full due-diligence process. The purchaser should have realistic expectations and know well what they are purchasing. People and companies seldom change at their core and too often acquisitions fail because of immediate efforts on the part of the bank and/or acquired company to make radical alterations to the business model which produced past results. The acquisitions of equipment leasing and finance companies by banks have been successful when the acquired company is well integrated into the bank. Prior to the acquisition, during the acquisition process and most definitely after the acquisition there must be buy-in from all levels of management, from the board room to the front–line personnel.

Over the coming years, the acquisition of equipment finance and leasing companies will regain its appeal. As the equipment finance and leasing industry continues to recover, banks and investors will seek to enter the equipment finance market. The independent companies who survived the downturn of the economy will emerge stronger, more knowledgeable, with more over-all expertise and market value. As with any opportunity, those investors and banks who are first to market, invest in top-line opportunities, and buy well will realize the greatest values.

Establishing a Full Service Internal Equipment Financing & Leasing Operation: Community banks have and continue to enter the equipment finance & leasing industry organically. Banks are building organizations from the ground up. The barriers to entry are minimal. With the "right" management team, banks can build a full service equipment division or subsidiary which best aligns with its own core values and expectations. As with any new endeavor, the investment can take time and returns are often slower than expected because of start-up costs. The keys to success are strong leaders, comprehensive planning and strong controls. Fortunately, it is possible to take a "step approach" to building an equipment finance and leasing operation. Much of the processes and necessary internal controls can be outsourced to either other bank departments or third party providers. The cost of systems and processes, which were once cost prohibitive for smaller banks entering the equipment finance and leasing industry, are significantly lower and are no longer considered a barrier to entry. In addition, community banks can supplement their internal marketing efforts with indirect, variable cost, third party origination partners.

Establishing an equipment finance operation from scratch is a multi-year project and it takes commitment and patience from the bank's top management. It is not unlike the process of establishing a new branch in a new territory – it takes time. However, an organic-driven organization can provide the greatest return in value to the bank's customers and allows for stronger assimilation of the equipment operation into the culture of the bank. The assimilation of the equipment operation into the bank's culture should not be taken for granted and is a process which too often is ignored. Many of the most successful bank equipment leasing and finance operations are built over time and identify closely with the core values of their bank affiliations.

Similarities Within the Industries:

Community banks and the equipment finance/leasing industry have many commonalities. The primary factor both industries share is their connection to and their ability to serve small and medium size businesses. The typical commercial client of both industries is an entrepreneurial business which is striving to grow and prosper. Small and medium size businesses depend upon community banks and the equipment finance/leasing industry for needed capital. Both industries provide funding primarily driven by collateral (real estate for community banks and essential business equipment for the leasing industry). Community banks, equipment lessors, and equipment finance companies fund single transactions; however, success depends upon the ability of organizations to establish long-term business relationships with multiple stakeholders. Both industries succeed because of the perceived value of personal service and the ability to structure and design financial solutions for clients with unique needs.

In the past few years, both industries have re-confirmed, by experiencing the financial crisis, that the real value of their collateral is based more upon the lender's expertise, related to the collateral, than the actual real estate or equipment. Real estate assets which on paper resembled other assets, but were located outside of a community bank's footprint, created significantly more difficulties than assets which were located in the bank's hometown. Equipment finance/leasing transactions which were secured by equipment outside of an organization's expertise created far more delinquencies and write-offs than equipment which was well understood and with which an organization had significant experience and expertise. Value and financial safety is best provided through legitimate knowledge and verifiable expertise. Community banks and equipment financing/leasing companies who consistently funded transactions which were well within their credit boxes, their markets, and expertise performed better than those organizations which strayed from their traditionally accepted policies and procedures.

The top performers in community banks (loan officers) and the top performers in the equipment leasing/finance industry (account managers-sales representatives) are very similar. Top performers defy the stereotypical description of a bank loan officer (a rigid, credit driven order taker) or equipment leasing/financing sales representative (an aggressive sales person who never found a transaction which didn't deserve to be funded). Top performers in both industries aggressively engage with their clients, offer solutions rather than commodity products, are savvy business advisors who have a strong credit aptitude and are willing and capable to structure transactions to best meet the needs of the small and medium size business. Especially in today's business environment, the best originators are hardworking, knowledgeable professionals who offer value to the market. Success in both industries requires an originating professional with strong marketing attributes, strong credit attributes, and strong relationship building capabilities. The strongest loan officers of community banks and strongest equipment leasing/financing account managers continue to thrive in today's market, while their less proficient counterparts struggle to survive.

Both industries experienced casualties because of the financial crisis. Both industries, along with all financial services industries, are in the process of redefining themselves in order to best serve their customers in the new economy. Success of individual organizations will be determined by the ability of companies to retain corporate attributes which continue to produce consistent financial results and more importantly, the ability of companies in both industries to embrace new opportunities which align with their overall strategies, missions and visions. It is a universal comment within both industries that many past business models will no longer produce the same results and change is necessary for future viability.

The similarities were evident, during the study, when participants at leasing conferences and an independent community banker's conference shared so many common concerns, common attributes and common enthusiasms about business solutions for lending/leasing. Managers, owners and directors of community banks and equipment finance leasing organizations are positioning themselves for the future. Their entrepreneurial spirit and commitment to serve small and medium sized business has never been stronger. The survey of community banks and the interviewing process confirmed professionals in the banking and equipment leasing/financing industry are cautiously optimistic about the short term with the majority of surveys (60-70%) predicting an average or slightly below average outlook for the community banking and equipment finance/leasing environment over the next 15 months. However, the survey (50-70% of the participants) predicts that the community banking and equipment finance/leasing environment will be average to strong over the next three to five years. Community banks and equipment finance/leasing companies are diligently working on alterations to their business models in order to best capitalize on the new economies. Those organizations in both industries with the best leadership, innovations and financial strength will realize the greatest market value in the new economy.

Challenges for Community Banks:

Perceived differences between community banks and the equipment finance/leasing industry can create significant barriers for success. This is especially true when those differences include past unpleasant experiences on the part of community banks in the equipment arena. There are plenty of examples of community banks unsuccessfully entering the equipment finance or leasing markets and in the process, incurring multiple losses. Most often, these unfortunate experiences are caused by limited commitment on the part of the bank, by weak internal equipment finance/leasing managers or by unscrupulous business partners who misled, or took advantage of the community bank. However, for those individuals and organizations which are able to bridge the gap of differences between the two industries there are tremendous opportunities. Although many of the differences between community banks and equipment leasing/finance companies appear subtle on the surface, in practice the differences prevent many organizations from meeting their full potential. In interviews with equipment leasing/financing professionals and community bankers it was the differences which usually defined the conversations. However, success stories are always related to how professionals in both industries have worked to minimize the differences, confront the differences, and even eliminate the differences in order to build stronger, more valuable partnerships, organizations and customer oriented strategies. The major challenges most often discussed are:

Risk/Reward Matrixes: Both industries are responsible for managing their assets and profitability. The success of banks and equipment leasing/finance companies is dependent upon their ability to minimize risk, through credit underwriting and portfolio management, and maximizing returns, through proper pricing and structures of loans /leases. It is commonly believed banks have a smaller credit window than the equipment leasing/financing industry and additionally, banks tend to have a smaller pricing window. Community banks typically have a pricing differential between their lowest and highest available yields of between 150-400 basis points for acceptable credit parameters. The equipment leasing/financing companies typically have a pricing differential between their lowest and highest yields of between 250 - 800+ basis points. It is not unusual for the exact same credit to obtain a higher yielding agreement through a leasing/financing agreement than it would from a traditional bank loan or bank line of credit. However, the business client is often best served by a lease or equipment finance agreement because of multiple reasons, including, but not limited to: (1) cash flow benefits, (2) less up-front cost, (3) convenience, (4) off balance sheet considerations, (5) the need to conserve bank lines, (6) simply the equipment leasing/financing representative asked for the business. The pricing differential is real. Bankers who embrace the equipment leasing/finance industry come to understand higher pricing need not be related solely to higher credit risk. In the equipment finance and leasing industry much of the pricing differentials are based upon specific transactional needs and market conditions. Successful banks involved in the commercial equipment leasing/finance business don't sacrifice credit standards; however, they are willing to expand the pricing window in order to be rewarded for the additional services and benefits which the equipment products may offer.

Marketing: Community banks and equipment leasing/financing companies are perceived to market themselves differently. Banks engage in the community and make themselves available to businesses looking for depository and lending relationships – usually secured by commercial real estate. Equipment leasing/ finance companies market themselves more aggressively and have a suggestive sale strategy to encourage new essential equipment purchases. Because of the sales cultures, bank loan officers are usually engaged in the credit process, the portfolio management process and spend considerable more time in administering accounts. The equipment leasing/finance originators usually spend the majority of their time, if not all of their time, in an origination mode – the credit and portfolio management is usually delegated to an operations department. (It is noted elsewhere in this report - top performing loan officers and lease/finance originators need to be knowledgeable of all aspects of the sales/credit/portfolio management cycle).

Along with the marketing difference, there are compensation differences for individuals within both industries who are engaged in business development. Bank loan officers are usually compensated with salary and annual bonuses – with the majority of incomes being derived from their base salaries. Equipment leasing/finance originators usually are compensated with salary and monthly or quarterly volume driven commissions – with the majority of income potential being derived from commissions. Both compensation models have benefits and weaknesses in promoting viable growth. The most successful banks involved in the equipment leasing and finance arena have addressed the marketing/compensation differences in order to integrate the commercial lending division and the equipment financing/leasing divisions. The integration of an equipment division into a bank must include the critical cultural aspect of marketing to ensure cross-selling and the valued-added component for all business clients.

Credit/Collections/Processes/Reporting: At first glance, one can easily claim that credit is credit. Processes, collections and reporting for money owed is all the same, no matter what the collateral or instrument used to consummate a debt. However, the improper handling of any account through operational procedures can cause devastating results. Underwriting a commercial real estate loan is different than underwriting a loan/lease for commercial equipment. The financial condition of the borrower/lessee is important, but equally as important, is the lender's understanding of the collateral, how to perfect ones interest, and how to structure the repayment of the debt. The differences shouldn't create insurmountable difficulties. However, the processes for all lending situations are definitely different and should be treated as such. Collateral expertise is best developed through direct experience; however, indirect in-sourcing of collateral knowledge is always more valuable than poor assumptions or outright ignorance.

The acceptable difference in the timing of a credit decision, documentation funding and collection are different for commercial real estate transactions and equipment transactions. Because the equipment finance/leasing originator is selling convenience and is pro-actively encouraging the purchase of essential equipment, credit decisions are expected more quickly; especially in small ticket, vendor oriented environments. The transactions and relationships are often dependent upon the organization's ability to react quickly to documentation and funding requirements. Collections activities in the equipment arena are much more aggressive, as has been proven over the past three years. The collection of equipment leases/loans cannot languish. If there is a collection problem the lender must know it quickly – most of the securing assets are mobile and can disappear quickly. The most successful equipment collectors don't wait for thirty days to pursue delinquent accounts, but are communicating within days of a due date to determine the collection situation and possible asset recovery strategies. Time is of the essence when dealing with commercial equipment.

Regulatory and/or Compliance Issues: The study finds no regulatory and/or compliance issues specific to commercial equipment finance/leasing and these issues should not be a deterrent to a community bank's involvement in the industry. The study is sensitive to heightened concerns of regulatory and compliance issues on the part of community banks based upon; (a) the survey conducted for the study reflects regulatory and compliance issues was the largest single concern for community banks - with 54% of the surveyed banks claiming a "of great concern" and 27% of the banks claiming an "above average concern" for regulatory and compliance issues, (b) the Dodd-Frank Wall Street Reform and Consumer Protection Act (signed into law in July 2010 and a legislative bill which continues to be reinterpreted).

The study interviewed existing bank leasing companies, service providers, accounting firms, industry veterans and others about regulatory and compliance issues. Participants suggested bank owned equipment subsidiaries and divisions should continue, as they have historically done, to monitor asset concentration and assets which are outside of traditional footprints (especially for smaller banks).

Cultural Differences: The old conventional wisdom, and some veterans in both industries, claims the two industries are rarely able to coexist. One distinguished veteran in the equipment leasing industry stated, "I spent several years of my career courting community banks. At one time I had over 100 signed partnership agreements to supply community banks with equipment leasing and finance services for their existing and potential customers. My efforts never produced any significant results. Bankers just think differently." Equally as damning, a longtime community banker stated "I have tried equipment leasing and finance several times and have lost money each time, because when the transactions went bad there was no value in the equipment I financed – I don't understand the business and will never attempt to fund equipment again - I like bricks and mortar – PERIOD." These statements are valid. There are many cultural differences between traditional community banks and traditional equipment finance and leasing companies. However, these old stigmas and stereotypes are just excuses that cannot be accepted in the new economy. In order for community banks to enter or expand their presence in the equipment funding arena, they need to become experts in the industry, engage themselves in the industry and break down the often irrelevant cultural barriers which have discouraged them in the past from capitalizing on the "real" potential in the equipment financing/leasing industry.

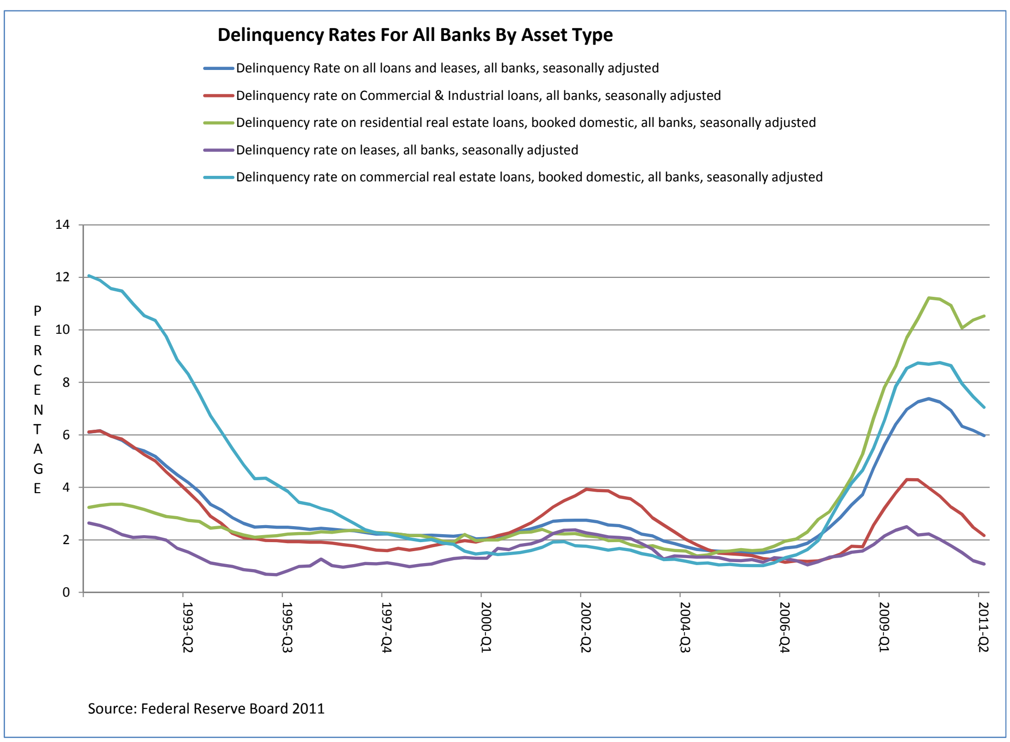
The survey of community banks who were not currently involved in the equipment industry, reflected that 55% considered their lack of expertise as a primary factor deterring them from entering the equipment industry; and 50% considered perceived risk as a primary factor deterring them from entering the equipment industry. However, the survey also indicated a strong response from bank owned leasing companies that their success was a result of strong diverse portfolios, strong equipment knowledge and proven credit models. The cultural differences may not be as significant as old conventional wisdom claims. The more significant differences may be simply equipment and product knowledge – both attributes which can be learned.

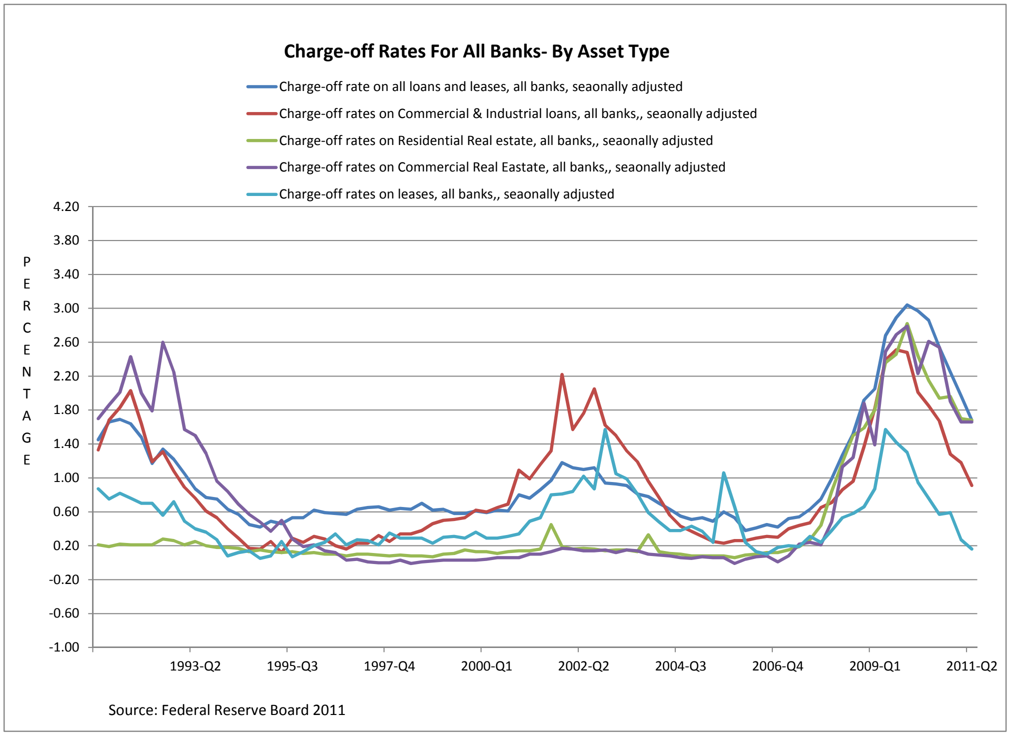
Industry Performance:

All lending assets were affected by the 2008 financial meltdown and the subsequent economic downturn which followed. Equipment leasing and finance assets were no exception. There are many companies which were unable to survive the process. Equipment lending institutions across the country had to expand their collection activities and pro-actively work their portfolios with additional resources and expense. However, the lease receivables have performed significantly stronger than other assets within bank portfolios and the industry appears to have recovered quicker than other asset types. (The following charts from the Federal Reserve Board reflect the performance of lease receivables and C & I assets in comparison to other assets). Commonly accepted explanations for why equipment assets have improved more quickly than other assets are:

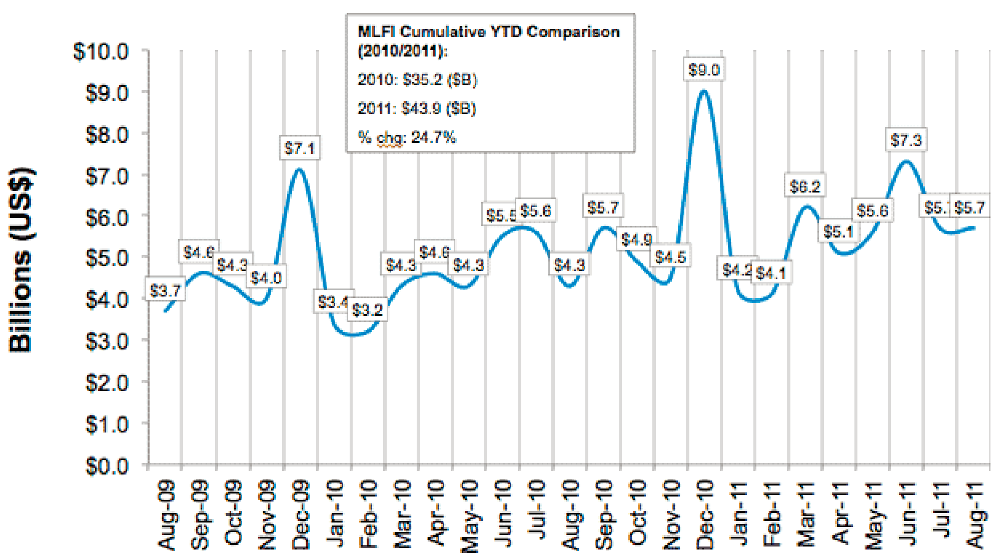
- The more challenged equipment assets, with traditionally shorter terms, have worked themselves through the collection process over the past three years.
- The current portfolios are significantly more weighted by transactions funded since the downturn; the newer transactions were underwritten with higher credit standards.

The strong current trend lines for bank owned lease receivables and C & I assets are consistent with long-term historic results.





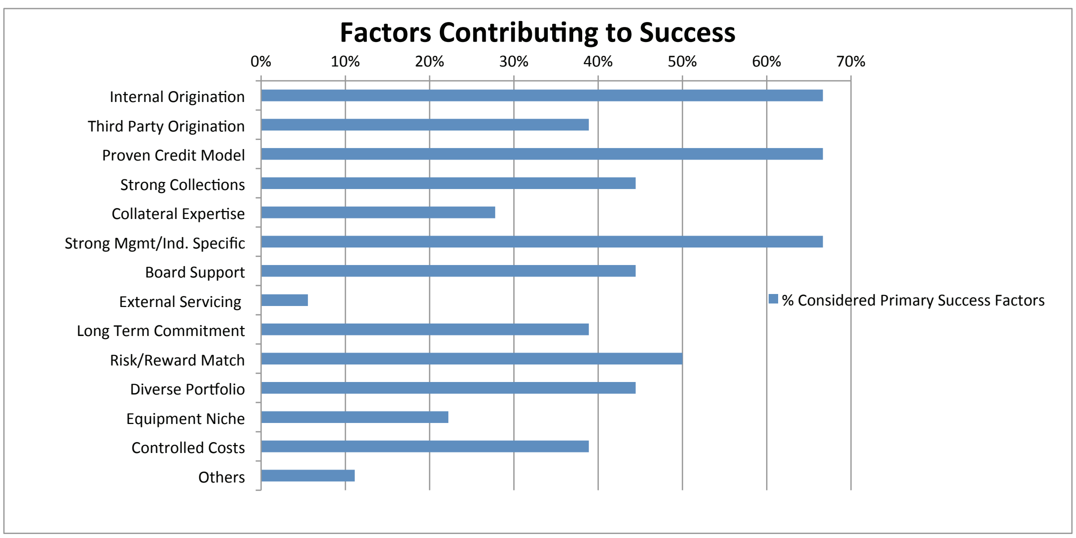
The commercial equipment leasing and finance industry continues to improve with business activity being up 25% through August 2011 and all key quality indicators are trending very positively as reported by the Equipment Leasing and Finance Association (ELFA) Monthly Leasing and Finance Index (MLFI-25).



The positive trends of the MLFI-25 are welcome news for the industry. However, there is still an industry wide opinion that the trends are not being shared to such a great degree across all sectors of the industry; and the business activity in the equipment finance and leasing industry, although improving, is somewhat inconsistent. The study finds most equipment finance and leasing companies are expecting slow growth in the near term as a result of the overall economy; and are positioning themselves for 2012, and beyond, to take advantage of expected increases in demand for new capital equipment.

What It Takes to be a Success:

Success is defined differently by different organizations and individuals. However, the study strongly suggests success within a bank owned equipment leasing operation is best defined as the ability to continuously add value to the bank, its customers, shareholders and other stakeholders. Success goes beyond the performance of an asset type; it goes beyond bottom line results. However, performance and profits are both essential and should never be discounted. Complete success is achieved by integrating the equipment activity with both the departments and philosophy of the bank. The survey reflected many different factors which contribute to success as indicated below:



Pursuant to the study's survey, community banks currently involved in the equipment finance and leasing industry identified the above factors as factors in their success. The three most highly ranked factors are Strong Internal Organizations (67%), Proven Credit Models (67%) and Strong Management Teams (67%). It is worth noting that in one segment of the survey 100% of the segmented group indicated a strong internal management team as the key contributor to success.

The study analyzes the survey results and incorporates the interviewing data to formulate a group of key factors which contribute to success for community banks currently involved in the equipment finance and leasing industry. The following pillars of success are consistently expressed throughout the study.

Industry Expertise: Success requires knowledge and expertise. The primary and consistent factor which was expressed in the study's survey, personal interviews and casual conversations with banking executives and equipment financing and leasing professionals was the management and key employees of an equipment division must have significant and in-depth expertise in every aspect of the business. Real sustainable success is enhanced when the expertise is shared with and permeates not only the equipment organization, but the entire banking team (see integration). Successful equipment divisions are well supported by the executive team of the bank – which includes the bank's ability to trust and understand the decision making process of those equipment executives who possess the greatest expertise. The best expertise is knowledge which is built upon experience, commitment and shared throughout multiple levels of an organization. However, success can be enhanced when management teams know their limitations and employ outside resources to supplement their capabilities when necessary.

There are many areas of expertise which every community bank already has, which should be leveraged when considering specific equipment funding. If a community bank's expertise lies within its footprint, then the bank serving the needs of a rural agricultural area should concentrate its equipment activity to serve local farmers; the community bank servicing the needs of a manufacturing community should concentrate its equipment activity to serve local manufacturers; the community bank which serves the needs of doctors should consider medical equipment. If a local geographic area has an emerging industry, in which the bank wishes to engage, then equipment leasing and financing products could easily be the conduit to build expertise and knowledge to enhance the bank's ability to serve the needs of a local market. Building expertise is an ongoing process for a bank organization.

In one group of the study's survey 100% of the participants stated "a strong internal management team and industry specific knowledge" as a key factor in their success within the equipment finance and leasing industry. An executive for a national company which offers strategic planning services to community banks stated the number one factor which determines the success of a community bank within the equipment arena is, "the bank's knowledge about the equipment products, the equipment itself and most importantly, expertise about the equipment leasing and financing industry – how it works". Banks can obtain equipment leasing and finance expertise by hiring leaders who have proven skills in the equipment leasing/finance industry, by engaging outside resources who can offer expertise and services which the bank lacks and/or engage with others who have equipment experience. The most successful organizations have a multi-prong approach and develop their expertise through internal, external and unconventional resources. The learning process is continuous.

The equipment finance and leasing industry is not difficult; it is different. Community banks which are willing to spend the time and energy to learn the industry can easily transform their knowledge into value for the bank, it customers and its shareholders.

Strategic Alignment: Equipment financing and leasing operations need to be an integral part of the overall strategy of a community bank in order to succeed and add value. Any business activity which enhances a strategy and moves an organization closer to its vision should be pursued. Any activity which is neutral or diminishes an organization's strategy should be eliminated or decreased. Community banks with strategies which include engaging more businesses and providing a full range of business services to enhance their commercial offerings should consider equipment leasing and financing as a viable product. It is possible for banks to be involved in the equipment financing and leasing business, and to be successful in building assets and generating substantial income from equipment assets without those activities being properly aligned with the bank. However, in many circumstances, unless the equipment activities and the equipment assets are properly aligned with the overall strategy of the bank, the equipment financing divisions or subsidiaries are seldom retained by the banks, even if they are profitable and growing. In the last few years, banks which either exited or de-emphasized their leasing operations did so as a result of the equipment division not being perceived by the bank's executive team or board as being aligned with the core mission or strategy of the bank. In comparison, banks who perceived their equipment leasing and financing operations as vital participants in the bank's overall strategy maintained their presence in the equipment arena even if those assets were not performing as well as they had in the past. A bank, its board and shareholders will commit to activities which align with both the short-term and long-term objectives of the bank.

The possible alignment of equipment finance and leasing divisions/subsidiaries with other banking activities is often misunderstood and/or incorrectly categorized because of the neglect of management to see and follow through on developing and encouraging cross-education. One successful equipment finance executive stated the following, "I spend considerable time educating others within my bank about the value of our equipment products, I directly speak to our board about the value we bring to the bank and its customers, and I train every new bank loan officer in regards to our equipment products. Our equipment expertise and knowledge is integrated within every aspect of our banking organization". It is with constant education of the ranks within an organization that the stakeholders are able to understand how equipment financing and leasing can and should align with the overall strategy of the bank.

When considering entering the equipment leasing and financing business, community banks need to spend time and energy evaluating how the equipment product offerings will enhance the bank's strategy. The strategic process is often facilitated through a consulting firm with industry expertise and includes discussions with peer institutions and equipment specialists. A business plan needs to be established and concisely communicated to the bank board and the management of the leasing operation as to the specific means by which the equipment division or subsidiary will be integrated into the bank's current strategy and how the equipment activities will specifically enhance the bank's ability to pursue its vision. Again, the equipment activities must be an integral component of the bank's current mission.

Proper Controls and Systems: Success for service industries in today's competitive market depends upon an organization's ability to maintain strong controls and systems. Banks and equipment leasing and financing operations have seen tremendous automation advancements in the last decade. Both industries are dependent upon their internal and external systems to process, fund, collect and report their daily activities. There is little room for shortcuts; especially for community banks which are faced with additional regulatory and compliance issues. There are many options available in the market today for every aspect of the equipment leasing and finance operation. Because of automation advancements and competitiveness in the market, the costs of outsourcing many of the system functions have decreased in price significantly over the past decade and the costs continue to decline. Although many banks have internal processes and systems, the study finds many community banks rely on third party service providers to either be a primary component of their equipment processes or a back-up component to their internal systems. As the continued demand of regulations require more and more integration and specificity, flexible options and database information are vital.

Equipment assets are different than other bank assets. There are significant challenges for community banks when equipment assets are incorrectly processed through traditional banking systems built to accommodate non-equipment assets. The most notable challenges are the incorrect treatment of sales/use tax and/or property taxes on equipment leases. Even when business partners (equipment leasing/finance brokers or equipment lessors) bill and collect outstanding assets, many community banks have found comfort in requesting their business partner to use outside servicing companies or industry specific software to generate consistent and reliable reporting.

There are systems to address every aspect of the equipment finance and leasing operation, from building a reliable credit underwriting package to collection models which allow for consistent and reliable actions on the part of the collection team. There are marketing, pricing programs and express documentation systems. The successful operations use automation to supplement their expertise; not as a substitute for expertise. However, proper controls and systems are necessary, no matter what size the organization, in order to ensure management is able to distinguish success factors and possible challenges quickly and effectively.

Asset Diversity and Safety: Successful equipment finance and leasing operations add diversity and safety to a community bank. Seventy-seven percent of surveyed community banks involved in the equipment finance and leasing industry expressed a strong credit model was a key factor in their success. It is a misconception by many in the banking community that participation in the equipment financing and leasing industry requires banks to accept greater risk. Strong bank participants set realistic credit requirements which are aligned with their other asset risk, the banks price their equipment assets appropriately and diversify their risk to ensure minimal exposure to any one client, one industry or equipment type. At times, the equipment financing and leasing divisions can enter territories which are traditionally outside of a community bank's footprint and these actions can enhance safety by limiting exposures to short-term economic downturns in a local market. As is reported elsewhere in the report, bank owned equipment lease receivables and C & I assets have performed well historically and, more specifically, over the past three years.

Successful community banks which are involved in the equipment leasing and finance business rightfully perceive their equipment assets as an enhancement to safety. One such bank has an 80% majority interest in an equipment leasing and financing entity that comprises 5% of the bank's total assets; but provides 20% of the bank's profits. The strongest equipment leasing and finance organizations don't necessarily equate growth or portfolio size with success. However, strong organizations perceive performance and results as a key indicator of long-term success. Successful community banks integrate the safety and diversity of their equipment portfolios along with their other assets and measure their performance in totality.

Safety is a primary factor for all financial institutions. Minimizing risk and maximizing returns is essential as community banks face the new economy. When a community bank properly enters or expands its involvement in the equipment finance industry it can do so on its own terms and conditions. Many of the bank's current clients or prospective commercial customers are already obtaining equipment financing outside of their banking relationships. The bank can capture additional lending relationships with commercial clients, which are already considered prime candidates, without sacrificing credit safety. In addition, the market usually allows the equipment financing and leasing divisions to obtain enhanced yields by offering products which serve the needs of a commercial client seeking capital equipment.

Value-Added Proposition: Successful community banks involved in the equipment leasing and finance industry correctly perceive their equipment divisions as a value-added proposition for their customers and the bank. Strong organizations have found ways to cross-sell their equipment products to existing bank customers. Strong banks have used equipment financing and leasing as an additional service to better serve the needs of their commercial customers and to ensure the customer's commitment to the bank. Equipment finance and leasing products can be an excellent means to establish a new relationship with a prospective customer – equipment financing is a gateway product which should be used to drive future business and alternative banking products.

One of the most successful explanations of how equipment financing can be properly utilized by a bank is from an equipment bank executive who stated, "Nearly 90% of my clients were also bank customers, and 50% of those customers were introduced to the bank's services through the equipment finance and leasing division". Unfortunately, not enough community banks exploit the power of equipment leasing and finance in order to obtain and better serve their clients. However, there is significant evidence the potential exists and is being executed by the strongest leaders and executives in the banking and equipment leasing industry.

In today's economic environment equipment products can be used to engage businesses which otherwise may not be considered potential customers. Community banks are in need of new avenues to re-engage with their local business communities.

As the U.S economy recovers and businesses, once again, acquire needed capital equipment, community banks involved in equipment can aggressively market to all types of commercial clients and offer them valuable financing solutions to facilitate corporate growth and prosperity. Small and medium size businesses perceive community banks as valuable partners and the addition of equipment financing can enhance the offerings and value which a community bank offers to its commercial clients.

Integration into the Bank: One of most compelling factors in the success of a bank's involvement in the commercial equipment finance and leasing industry is the bank's ability to integrate the equipment activity into the bank. Both bank executives and equipment finance and leasing professionals agree integration is essential; it is one of the most significant challenges for any bank to execute on. However, those entities which continuously strive for total integration clearly experience better results.

Cross-selling of business products is essential in any business, especially non-tangible business services. New business developers need to know all of their available products and sell to their customers' needs and wants. Banks which routinely cross-sell commercial equipment products are able to unlock new financial opportunities for every division of the bank. Unfortunately, too many employees compartmentalize their activities and promote only a small percentage of their bank's products, especially when supplemental products are not measured or rewarded on the employee's review "score card". One equipment leasing executive explained how loan officers received full portfolio growth credit for any equipment transaction which was referred to the equipment division and how his bank referrals constituted a significant part of the equipment division's total sales volume. (It was no surprise the loan officers were compensated based upon his/her loan portfolio growth). The equipment financing and leasing account managers should also be advocates of the bank and all of its products and services.

It is not unusual for a strong commercial equipment leasing and finance originator to be a significant participant in bringing new customers to a community bank. The study reveals many situations where equipment transactions were routinely converted into full business relationships including depository and other lending relationships. A partnership between a community bank and a third party originator (an equipment lease broker) resulted in several new relationships for the community bank. The originator made it a point to introduce his clients to the community bank which was responsible for funding his equipment transactions. Therefore, the broker, community bank and client relationships were strengthened and it became a win-win-win situation.

Strong, bank owned equipment leasing and finance operations usually have a champion on the bank board and/or the executive team of the bank. However, enhanced success is realized when the division has multiple champions throughout the organization including the board, the executive team, compliance, credit departments, process departments and branch operations. The most successful equipment divisions spend considerable time and energy reinforcing their position within the bank by offering continuous updates and educational opportunities for all bank employees. Integration of all divisions within a banking organization reflects good leadership. Integration reinforces relevance, creates intercompany opportunities, economies of scale, and most importantly, allows an organization to build value for its customers and other stakeholders.

Leadership: The success of all organizations depends upon strong leadership. If a community bank has the will to succeed in the commercial equipment finance and leasing industry there are significant opportunities in every market for a strong bank to excel in the equipment arena. The interviews conducted as part of the study confirmed the suggestion reflected in the survey that success is highly dependent upon strong leadership from the top down – including the bank board, bank executives and the managers of the equipment division. The management of community banks needs to be committed to the process of entering or expanding its involvement in commercial equipment financing and leasing. Leadership often starts with research and analysis to discover whether or not the equipment products align with the strategy of the bank. Leadership includes the ability to select and hire industry experts to manage and administer an equipment division. Leadership includes the ability to support and embrace the equipment division. Leadership takes a long-term approach to building its organization.

Leadership is also needed within the equipment division. It is not enough to strictly manage a strong equipment finance and leasing division/subsidiary. The top executives of an equipment operation need to be able to lead their team within the bank's structure. The equipment executive needs to manage up – and be an advocate for his/her operation both internally and externally.

Conclusion:

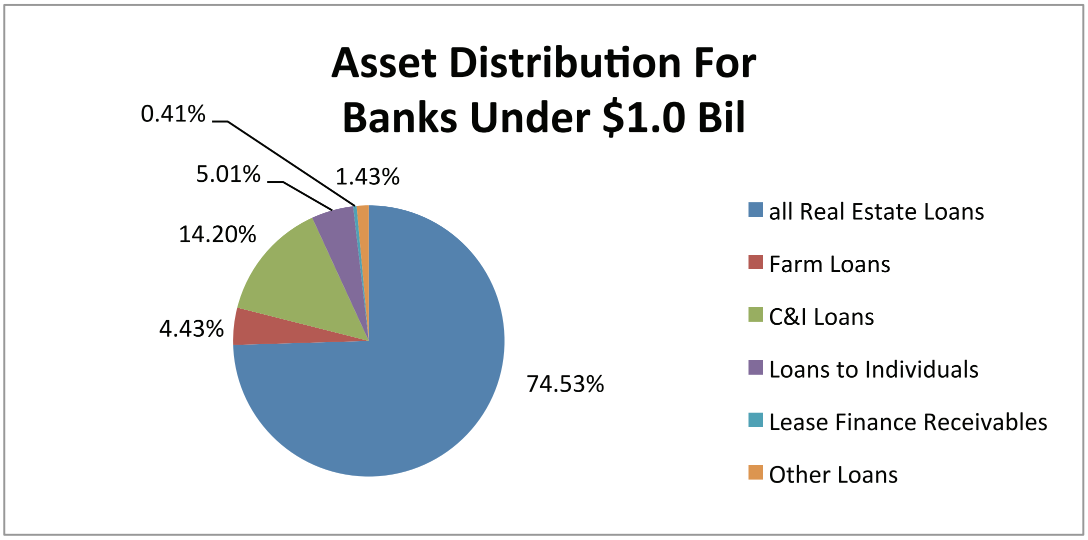
The study concludes there is a significant opportunity in the market for community banks to enter and/or expand their involvement in the commercial equipment leasing and finance industry. The opportunities exist for community banks of all sizes. Success depends upon the bank's ability to align the equipment products with the over-all value proposition of the bank. The study clearly determines the equipment finance products will not be for every community bank; and in some instances the equipment products would be in conflict with the strategies of some community banks. However, for many community banks equipment financing and leasing activity will be one of the key components in defining how the bank can best serve the needs of their commercial clients.

Based upon the challenges of the past three years and the new playing field the timing is right for community banks to re-examine their Playbooks and determine if equipment financing and leasing should be added as a key competitive advantage for their institution.

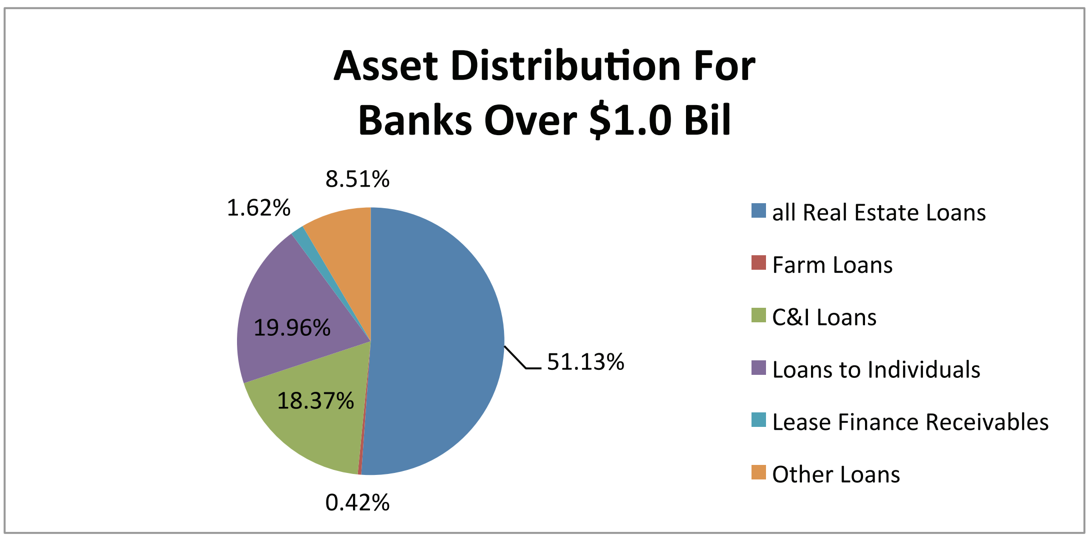
Supplemental information:

The following information was used in the study to formulate the analysis and is valuable information for the reader to consider.

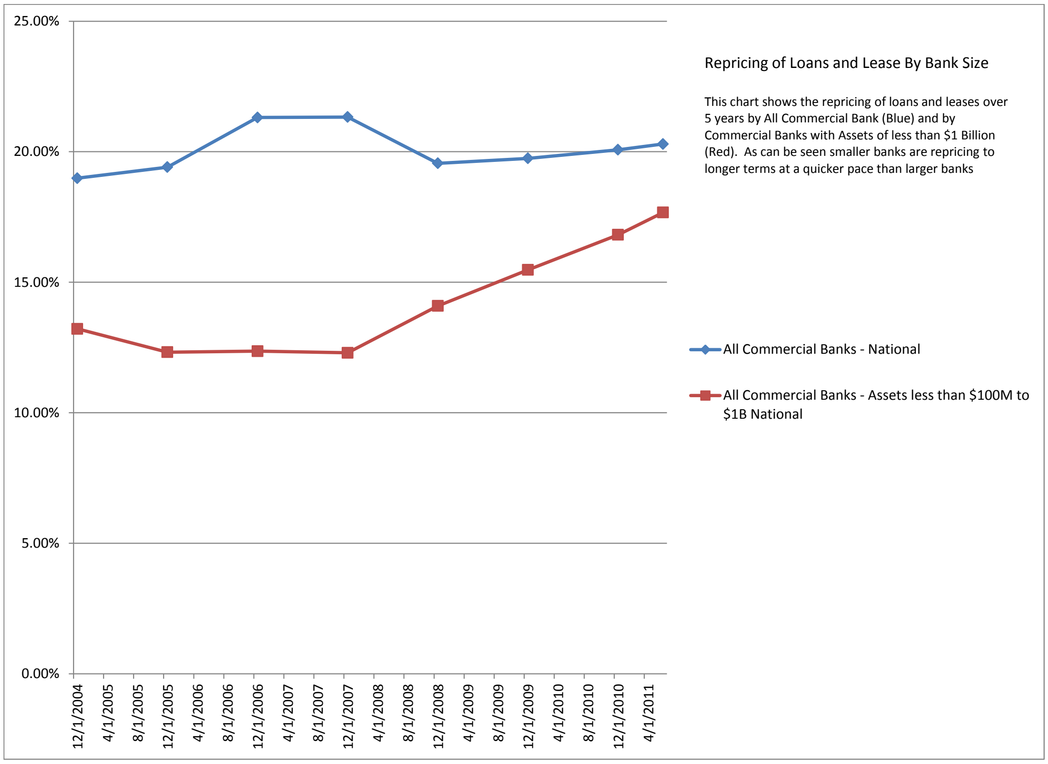
Community Banking Information:



Source FDIC 6/30/2011



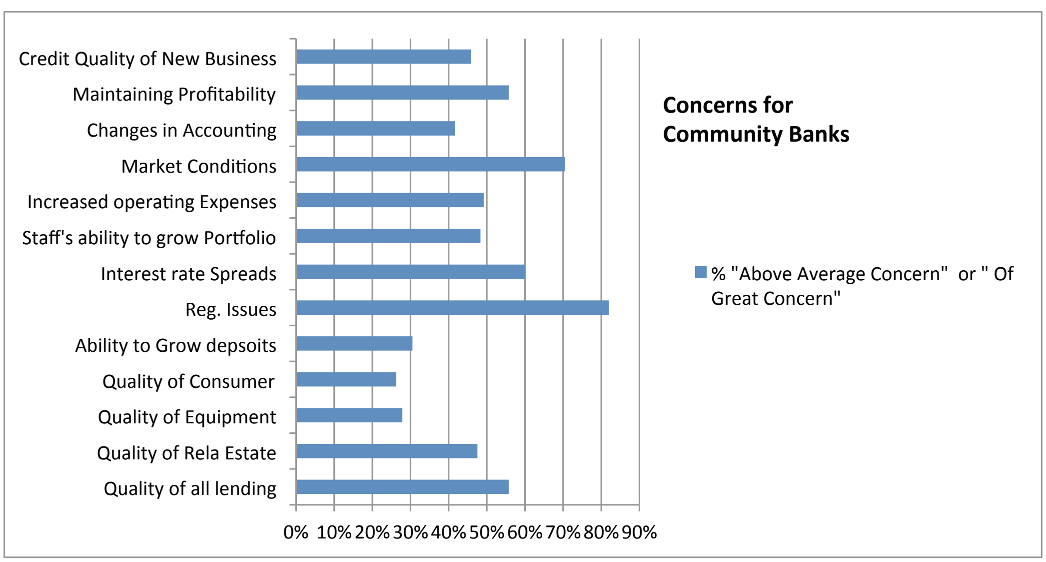
Source FDIC 6/30/2011



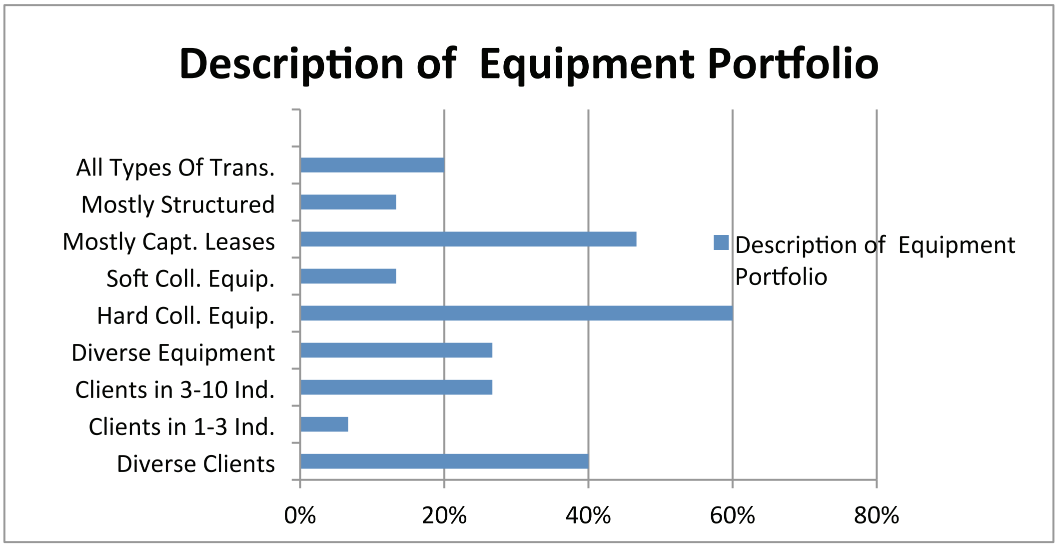
Source FDIC: FDIC Statistics on Depository Institutions Report

Survey Analysis:

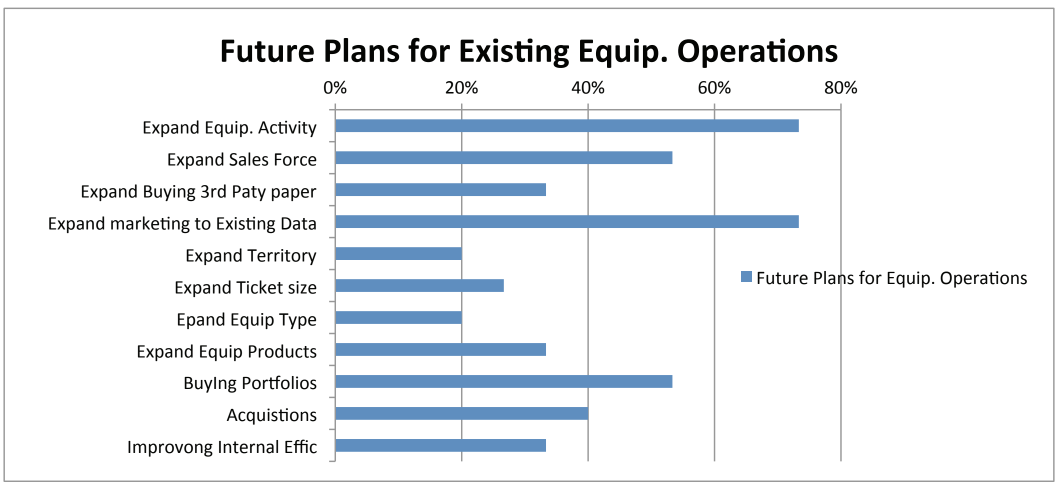
The study surveyed community banks currently involved in the equipment finance and leasing industry and others which are not currently involved. The survey acted as a confirmation and support mechanism to the interviewing process. The following charts are included for the reader's consideration:



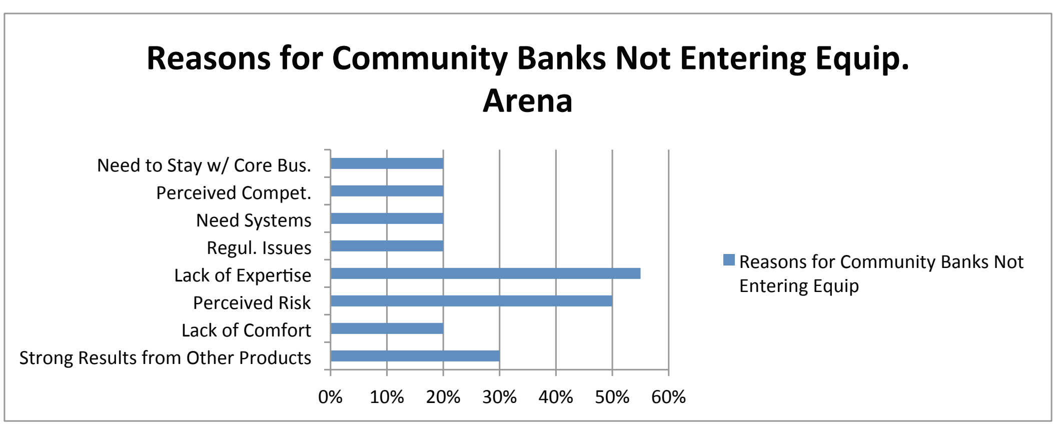
Pursuant to the study's survey, the two primary concerns of Community banks are Regulatory issues (82% - stated an "Above Average" or "Of Great Concern") and Market Conditions – the general economy and loan demand (70% stated an "Above Average" or "Of Great Concern")



Pursuant to the study's survey, community banks currently involved in the equipment finance and leasing industry described their portfolios differently. However 60% stated their portfolios consist of hard collateral.



Pursuant to the study's survey, community banks currently involved in the equipment finance and leasing industry plan to expand their activity in the equipment arena. The above statistics were re-enforced by most interviewees stating their desire to expand their current activity.



Pursuant to the study's survey, community banks currently not involved in the equipment finance and leasing industry are reluctant to enter the industry because of: the Lack of Expertise (54%) and Perceived Risk (50%).

Resources and References:

Data Resources:
- Federal Reserve Statistical data at: http://www.federalreserve.gov/releases/chargeoff/chgallsa.htm
- FDIC statistical data at: http://www2.fdic.gov/SDI/main4.asp
- Monthly Leasing and Finance Index August 2011 at: http://www.elfaonline.com/ind/research/mlfi/0811
- Gerrish McCreary Smith Consultants and Attorneys, Memphis, Tennessee
"Ten New Things You Need To Know about Your Community Bank" Presented by Jeffrey V. Gerrish at: CBAI 37th Annual Convention Milwaukee, WI - September 2011
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- "2011 State of the Equipment Finance Industry Report" Published by the Equipment Leasing & Finance Foundation written by Financial Institution Consulting, Inc.
- Equipment Leasing & Finance (The Magazine for Industry Executives) October 2011

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LWR Financial

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  - o Chris Cole - Senior Vice President & Senior Regulatory Counsel
  - o Ben Buehler - Director of Services
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- Community Banker Association of Illinois
  - o Sandy McAvoy
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- Joe Andries - Vice President & General Manager, Great American Portfolio Services Group
- Robert Boyer - President, Susquehanna Commercial Finance
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- Joe Pucci - President, Conestoga Equipment Finance

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About Wheeler Business Consulting LLC:

Wheeler Business Consulting LLC is a consulting firm specializing in developing strong leaders in the commercial equipment leasing/finance industry. The company offers a variety of consultative services including:

- Sales Training
- Strategic Business Planning
- Team Building
- Product Development
- Process Review
- Executive Coaching

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EQUIPMENT LEASING & FINANCE
FOUNDATION
Your Eye On The Future

Future Focused Research for the Equipment Finance Industry

Presented by the Source for Independent, Unbiased and Reliable Study

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The Equipment Leasing & Finance Foundation, established in 1989 by the Equipment Leasing Association, is dedicated to providing future-oriented, in-depth, independent research about and for the equipment finance industry. Information involving the markets, the future of the industry and the methods of successful organizations are researched to provide studies that include invaluable information for developing strategic direction within your organization.

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The Foundation partners with corporate and individual donors, academic institutions and industry experts to develop comprehensive empirical research that brings the future into focus for industry members. The Foundation provides academic research, case studies and analyses for industry leaders, analysts and others interested in the equipment finance industry.

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