Emerging Opportunities in a Changing World

2005 INDUSTRY FUTURE COUNCIL REPORT

Equipment Leasing & Finance Foundation
Your Eye On The Future

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2005 Industry Future Council Report

"Emerging Opportunities in a Changing World"

Executive Summary

The equipment leasing and finance industry has overcome major challenges in the past, but never have so many issues combined to re-shape the future of the business. Until changes in tax law and corporate regulation are clarified, lessors will compete on a playing field made uneven by varying interpretations of these rules. Coming capital requirements for international banks will likely spur consolidation among banks and may raise the cost of capital. Changes in federal accounting standards will stanch financial creativity for many lessees until their need for capital outweighs the risk of rousing the regulatory lion. Still in the shadows of Enron, Tyco and WorldCom, lessees will lean toward loans whenever lease products appear too complex, or when lessees are not convinced these products will meet requirements for balance-sheet transparency. In general, throughout the industry, creativity will be rewarded – creative people providing creative solutions.

Although changes in tax law and corporate governance will most influence equipment leasing over the next three to five years, the direction of both the domestic and global economies will influence lessors' marketing and operational strategies. Interest rates are expected to continue to rise, benefiting lessors in the small- to middle-ticket markets. But rates could plummet if the dollar continues to lose value against other currencies. Winners in this scenario will be lessors who follow their customers abroad, and can serve additional, foreign entities that will have more dollars to spend in a weak U.S. economy.
The strategies lessors and finance professionals employ to cope with these changes will act as a sort of natural selection, determining who survives in the new world – and who becomes extinct.

Industry leaders believe that the days of the traditional leasing company are numbered; that by 2010, the industry may not even be known as leasing. In the words of one lessor, leasing is becoming part of a bigger solution.

The manner in which individual companies identify themselves is changing, too. Rather than cite ticket size as primary descriptor, lessors and finance professionals increasingly refer to their company's ownership to describe themselves. Those who formerly saw themselves as small-, middle- or large-ticket players now more commonly describe themselves as banks, captives and independents. The trend seems appropriate, given that lessors believe the number of firms doing business in the large-ticket segment five years from now will almost certainly be half what it is today. The number of independents, meanwhile, will likely have increased.

Yet, a changing identity does not portend a break-up of the industry.

Lessors will continue to feel bound by their identity as creative, intelligent finance professionals who possess entrepreneurial spirit. Shrinking margins will continue to squeeze profitability, but the demand for equipment will not disappear – nor will the need for its financing. To win in the new environment, lessors will have to be far-sighted enough to see declining markets before they emerge into the open. They will also have to possess the discipline to extract themselves from these markets before they decline substantially. What's more, lessors will have to be diverse enough to have other markets in which to grow.

By continually expecting change, lessors will realize that they must reinvent their companies from time to time. Although transparency fosters simplicity, and simplicity favors the loan over the lease, lessors are optimistic that they can create mechanisms and structure that will enable financing by the new rules. In fact, many industry members think continuing consolidation will create new opportunities. Underserved niches still exist, as do opportunities for top performers who can gather capital and deploy it wisely. Ambitious, talented lessors who can originate deals will survive and prosper. Their abilities to return to basics and reinvent their companies will shape the industry's future.

Any successful return to basics requires creativity, and overall opportunities for creativity have permanently shrunk. Lessors who empower themselves with talented and well-trained personnel will be more able than their competitors to redefine their companies and their markets. Excellence of staff is *the* top requirement for future survival and growth in the leasing business.

To develop such a staff, however, lessors will have to create training programs that not only teach skills, but encourage creativity and instill a historic perspective of the industry. Once the domain of large leasing companies, this task now falls upon current industry leadership. Formal training is vital to future success, lest the industry's hallmarks of adaptability and flexibility succumb to innocent ignorance ushered in by new blood.

In the meantime, the leasing product will continue to evolve: at one end of the barbell will be short-term, true operating leases with their inherent risks; at the other will be long-term financing. In the middle of the barbell will be smart lessors, who'll find new ways to do the heavy lifting.

The Industry Future Council Report
Leading leasing executives gathered for two days of deliberation on the industry's challenges and strengthens. The group was asked pointed questions and were allowed to engage in a freewheeling discussion about the near term future of leasing. Issues, concerns and trends were discussed related to each industry driver. Following is the industry's outlook for 2005.

Drivers:

The Economy

Capital Cost and Availability
Lessors believe the U.S. economy will continue to improve, and that as it does so, money will continue to enter the marketplace for investment. Already the expansion of capital markets is driving an increase in securitization.

In general, debt capital should remain widely available for the next few years. At the same time, equity capital sources new to the leasing industry will continue to place pressure on credit-risk spreads until these sources either leave the market or are lured to others. Examples of such sources include a private equity firm that recently invested $125 million in a new small-ticket company being operated by six executives who are veterans of the leasing industry; and a hedge fund that recently acquired the real estate lending business of a leasing company.

Hedge funds and investors are also banding together to buy leasing companies. One leasing company, for example, has been acquired by a consortium that includes an individual investor and two hedge funds. A flight to quality among funding sources could further reduce lessors' future profitability as the cost of capital rises.

Lessors, meanwhile, will continue to loosen credit to put incoming capital to work. But how much credit will relax – and what this means for the future of leasing – is unclear. As one lessor said, "Earnings is the missing man in the [credit] formation."

Demand for Equipment and Capital
Some IFC members believe that lowered fee income (resulting from languishing delinquency rates), may prompt lessors, particularly those that are not banks, to focus more sharply on asset-management capabilities. Lessors can do this by developing expertise in niche markets and industries, and by proactively managing the assets in their portfolio.

Other IFC members believe an increased focus on asset management will result not from decreased fee income, but from a trend towards further differentiation in the market as margins contract and firms try to find a better operating paradigm to drive their bottom line.

Even if lessors feel a decrease in delinquency fees, however, delinquency rates are expected to return to higher levels as customers spend down their cash to acquire more efficient technology and new equipment to facilitate innovation. The large-ticket market will be populated by segments of the transportation, communications, construction, IT, and energy markets. Needs for equipment and equipment finance in the next several years are only expected to increase.

Interest Rates
The Federal Reserve will continue to raise interest rates moderately, benefiting lessors selling small- and middle-ticket products. Two caveats to this scenario are as follows:

- Because the current yield curve looks nothing like the past, future interest rates may have an atypical effect on leasing segments.
- If the dollar continues to lose value, interest rates will eventually fall as the domestic economy slows and the cost of business rises. Winners in this case will be lessors who have followed their clients abroad, and can solicit new business from foreign enterprises that will have an increasing number of dollars to spend.

Economic Growth
No tools exist to predict accurately how long increased spending by corporations and investors will last. Council members don't deny that another "train wreck," such as the one suffered by the telecommunications sector, could occur, but the consensus is that any one market collapse would not damage the entire industry. Among possible scenarios: a stall in the medical market, due to the high cost of new equipment. But lessors who can provide operating leases or other products to make equipment affordable – and who can effectively spread the risk – will win this business. The challenge will be to assess the risks accurately enough to arrive at and obtain adequate pricing.

Legal/Regulatory

Until the requirements of Sarbanes-Oxley and The Tax Act of 2004 are clearly proscribed, lessors will be forced to adhere to the varying interpretations of their auditors, since there are no consistent guidelines for interpretation. As noted earlier, customer demands for transparency will lead to simplicity, which inevitably favors the loan over the lease.

Larger lessors and banks will bear the brunt of the changes as they sort out requirements, determine their impacts, and decide how to manage them. Smaller lessors won't feel an impact for three to five years until effects of tax and regulatory changes trickle down. The prospect of achieving a level or consistent playing field in the near future seems dim indeed.

Accounting Standards
Legal and regulatory changes are not the only forces driving a polarization of the industry; changing federal and international accounting standards are achieving a split between credit-risk- and asset-risk-based companies. In essence, loan and lease accounting methods are converging. FIN 46 will drive balance sheets to become more transparent, favoring loan-type products. Lessors will be pressed to provide more operating leases and take the attendant risks.

In 2006, in some cases, BASEL II capital adequacy requirements will demand all international banks to maintain an amount of capital that is higher than most banks have today. This requirement, coupled with changes in accounting standards and regulatory compliance, is expected to contribute to a continued decline in spread rates.

Tax Law

Congress recently enacted tax laws containing retroactive clauses that make certain past leasing transactions subject to review and possibly, to additional taxes. Thus, it remains to be seen how long corporations will take to begin using new lease and financing strategies that meet new legal and regulatory requirements. Traditionally, five years pass between the time Congress constrains tax incentives for investment, and the time it does so again. Businesses will continue to lease, but if the new regulatory environment impacts the economics of a transaction negatively, businesses will opt for a debt finance model over a lease.

The Marketplace

Changing Segmentation

Increasingly, lessors who once identified themselves by the size of their primary lease transactions will describe themselves according to their ownership or industry served. Thus, the industry will divide itself not into small-, middle- and large ticket segments, but into banks, independents, and captives/vendors. Captives and vendors will be placed in a single category because they share the same goal: to move product, be it through leasing or through other means.

In an even bigger picture, the polarization between banks and non-banks will continue to widen as banks withdraw from markets, enter new ones, and overhaul strategies and procedures to comply with banking regulations. Said one lessor, "We'll all have different hot buttons, due to the ownership of our companies."

So different are these hot buttons that some bank lessors will be called upon to view themselves more as banks than as lessors. This is understandable, since, as banks react to accounting, regulatory and market changes – some of which will never affect non-banks – bank lessors are increasingly being required to think and act outside of the leasing box, as will be discussed in more detail later in this report.

Thus, company ownership is not only causing industry re-grouping; lessors say it will also drive these groups further apart. Generally, entrenched segmentation does not promote a healthy marketplace for rational competition. Because each segment has different motivations, such splintering could weaken the industry as a whole. As banks feel the loss of large-ticket earnings, for example, they may pressure their managers to replace those earnings quickly, and in so doing, encourage irrational thinking and market behavior. Some banks will be successful converting to middle-market leasing, but others will not. In the same vein, some non-bank lessors will survive the loss of large-ticket business while others will make irrational moves driven by, but not beneficial to, a wish to stay alive.

The new ways leasing professionals identify themselves is of colossal importance. This re-grouping can be seen as a response to forces that are shifting the very foundation of the business traditionally known as equipment leasing. Not surprisingly, increasing disparity among equipment leasing and finance players is expected to heighten the association's challenge to serve industry needs.

None of this is to say that unity among lessors will disappear. Research has shown that when groups experiencing change (due to their responses to internal or external forces) continue to function as a group, they usually define themselves differently and over time, change their business language. This is the expected state of the equipment leasing and finance industry over the next three to five years. Despite changes and deepening market segmentation, lessors will still have much in common. They will continue to believe, for example, in:

- their identity as creative, intelligent finance professionals with entrepreneurial spirit
- the value of their unique, collective intellectual capital
- the value of their products, and
- their ability to meet customer needs by providing smart financing solutions.

And although every lessor will conduct business differently, each will adhere to basic business norms concerning tax structure, lease structure, UCC compliance and contract law. Thus, the general rubric under which all lessors operate will remain intact.

The Continued Malaise of Large-Ticket

The Industry Future Council members believe that by 2010, the number of companies conducting large-ticket transactions will be half what it is in 2005. Hampered by tax and regulatory changes that have outlawed cross-border, leveraged-lease transactions, and bound tight by economy-induced events such as the nosedive of the commercial airline market, large-ticket leasing will not make a wholesale recovery during the next five to 10 years.

Even so, pockets of activity will present scattered opportunities. The rail and marine markets offer a stable base of shippers as the volume of imported goods increases, but to take advantage, lessors will have to create attractive products for both. Trucking should strengthen, since it will likely follow the rail market as the economy improves. Winners in these markets will be lessors who are willing to assume the risks that attend true operating leases, or can create alternatives to capital leases by using trust certificates or other instruments.

Other pockets of large-ticket activity will include alternative energy and communications. Businesses will require financing for much of this equipment, and will turn to banks and lessors that offer the best products and terms.

Banks

Aside from one or two major independents, banks are the leasing industry's 800-pound gorilla. They are expected to continue their dominance of the equipment leasing industry with plentiful capital and their lowest cost of funds. But several factors could alter this scenario. Banks, after all, are not wedded to leasing. Their goal is deeper penetration of the entire financial services market through maximization of relationship dollars. If a lease best fills the future customer's need, so be it – banks will provide it, but possibly at a spread so thin that an independent couldn't match it. Banks will compromise profit to strengthen relationships with customers, assuming that their multiple earning sources will cover the difference.

At the same time, banks face the capital requirements of Basel II and regulatory requirements that could compromise their leasing abilities. Although Basel II will affect only international banks, more banks will likely become international in an effort to market their services to larger audiences. As a result, consolidation will occur among smaller banks that cannot meet the new capital criteria by themselves. Such steepening reserve edicts may curb banks' desire to be all things financial to all people.

Banks face another obstacle to dominance due to the stunting of the large-ticket market. Some bank lessors previously focused so heavily on cross-border transactions that their existence in leasing is now threatened. Whether or not these banks choose, or will be able, to move down-market remains to be seen.

One possibility is that banks may come to view small-ticket leasing as a product that can be managed in much the same way banks handle their credit-card businesses. Banks willing to tolerate the risk of the credit-card business in exchange for its relatively high return and credit diversity may hope for the same result in small-ticket leasing. But their success in the small-ticket market is expected to hinge on their ability to execute. Execution demands huge capabilities in the management and flow of customer information, and many banks don't have these capabilities. Thus an important question arises: Will banks truly dominate leasing five years from now? Or, might they become leasing's dominant alternative instead?

Already some banks are requiring their lessors to sell not only leases, but other bank services. One result of this trend is that some bank lessors are beginning to see themselves as banks first and lessors second. Previously, bank lessors functioned as bank support teams that delivered the lease product. But pressure to cross-sell could shift bank lessors away from leasing and toward the cementing of customer relationships. This trend could blur lessors' identities and further muddy the line between leasing and other forms of finance. At banks, relationships have eclipsed transactions in importance. Leasing may become part of a bigger solution.

Still another variable is banks' compensation culture. As a class, banks have yet to meet compensation levels paid by others in the leasing business. A few will exceed their compensation limits if doing so means snaring a leasing executive they truly want. But unless this becomes standard practice throughout banking, banks will find it difficult to hire experienced executives who can set up and operate leasing businesses that successfully navigate the tangle of applicable tax laws and regulations.

As banks' role in leasing changes, lessors believe that bank leasing will increasingly resemble a barbell: at one end will be large long-term transactions. At the other will be small, short-term transactions. In the middle will be little to nothing. To an extent, this trend will be reflected in the practices of non-bank lessors as well.

Independents

Independent lessors will continue to maintain a share of the market by filling the void left by banks. This void will be created by the regulatory and accounting issues discussed earlier. Customers who can't, or don't wish to, go to a bank will look to independents. The number of independents may grow, due in part, ironically, to industry consolidation. When one independent is acquired by a bank, former employees will leave and open competing firms that will be approached and then sold. Independents will also benefit from their roles as niche marketers or equipment specialists who know how to serve their markets better than anyone else. Service level managers are more responsive, and this is why independent competitors beat the banks. Their expertise will enable them to take risks that other lessors reject. Independents will stand alone in their drive to provide financial solutions that center on a lease.

At the same time, independents will have the flexibility to make exceptions to their own credit criteria when competing for valuable customers. Thus, independents will continue to be to other leasing segments what boutiques are to department stores: a bit more expensive, but convenient, more personal, more flexible and more creative.

This is not to say independents won't have concerns. Within three to five years, the regulatory burdens placed on large-ticket players will have trickled down to independents in the form of market encroachment and possibly, more expensive cost of funds. Given their size, independents would have a higher cost of funds than banks, and because independents depend on other sources for their money, any increase in the cost of capital could make it difficult to pay for the infrastructure that differentiates independents from other industry players. "I could fire 300 people tomorrow and begin operating like a bank," said one independent lessor, "but I win deals against banks because of the infrastructure and services that those 300 employees provide."

Captives

Along with banks, captives are expected to fund the aggregate amount of equipment in the next three to five years. In general, captives will grow by selling leasing's total value proposition, as opposed to selling a rate. Example: By helping customers manage their IT investment throughout the assets' lifecycle, captives will continue to enable customers to purchase the technology they need to operate and achieve competitive advantage while reducing total costs of ownership. Lessees will also turn to captives for financing that does not impinge on their bank lines of credit.

As their parent companies expand business in new areas, captives will feel pressure to keep their pricing in line with the market, manage risk carefully, and develop innovative offerings that meet the needs of the parent company's customers. One captive has already begun working with its parent to provide innovative financing solutions to new members of the European Union.

Working with HP, the captive provided a solution that allowed Poland to upgrade its drivers' licenses to meet EU requirements, and pay for the upgrade on a "per license basis.

Without question, new opportunities for captive growth will stem from Latin America and the Asian Pacific. Areas within these markets are new territory for lessors to explore, and the industry will need to manage risk accordingly.

At the same time, opportunities for domestic growth should not be underestimated. Despite its size and red-hot economic growth, for example, China's leasing sector is smaller than that of South Africa or the Czech Republic. The potential is huge, but will take time to develop. Domestic growth probably represents the greatest near-term opportunity.

Nevertheless, subjectivity to parental interpretation of new laws and regulatory requirements could restrict captives' ability to compete. Some captives will narrow their focus to finance only equipment made by their parent companies. Until recent tax laws and regulations are clarified, captives will acquiesce to parental politics, eroding consistency in the marketplace.

The ways in which banks, independents and captives interface with and deliver to customers will change, but value propositions will not. Each market segment will provide discrete value to the customer, depending on the customer's needs at the time.

Leasing Practices

As lessors work to create new products and services, some may put a price tag on intellectual capital and structuring expertise, and charge customers for their application. The idea has merit, given that clients incur problems that only lessors may know how to correct. Fees paid for special expertise could fill the hole left by other lease products that have been regulated away.

The lease product in general will continue to exist, but increasingly will be viewed as two separate products: long-term transactions and short-term deals, such as a three-year operating lease on a 15-year locomotive. As alluded earlier, some lessors will determine that they cannot, or will not assume so much operating risk, potentially prompting their departure from the leasing market.

Yet, larger assets and equipment will still lend themselves to operating structures, which, with a leverage of 10 to one, can be inserted into portfolios and generate fee income. Thus, tools remain for crafting products that will be attractive to customers.

Even so, to win in the coming environment, lessors will have to improve their skills in market management. Specifically, they will have to know where to place their resources during market ebbs and flows – and have the discipline to extract themselves from markets when decline is indicated. "It's hard to pull out of a market when that's the only one you're in, so you must have other streams of business," said one Council member. "You must constantly keep your Research and Development department working toward new products so that as one market ebbs, you can move into another."

Focusing on the Customer

Situation: A single customer entertains solutions from a bank, a captive and an independent. The bank's solution includes a term loan, cash management, and possibly a lease. The captive offers a lease with the most features, while the independent offers to take on the most risk. Each segment player will offer a different solution based on its ownership identity and expertise in the market. The customer will be in control as he selects the solution that best suits his needs.

Even 20 years ago, lessors knew that too much focus on the product, and too little focus on the customer, compresses rates and destroys prospects for future business. Lessors who keep their sharpest focus trained on the customer will have the opportunity to respond to customer needs before their competitors know these needs exist.

The People: Human Resources

Without creative people, lessors will be able to do little to respond when customers and competitors demand it. Lessors who deploy their talent to achieve moderate market diversification will be best positioned to profit in the near future. By "moderate," we mean diversifying only as much as needed to achieve the highest return for a unit of risk. Lessors who diversify broadly, perhaps entering new industries, will incur more risk, due to the presence of more unknowns than usual as the marketplace continues to evolve. Moderate diversification, whether into ancillary markets or existing markets through expanded product offerings, will allow lessors to better control added risk and to pursue new opportunities as commodity cycles fluctuate. As one Council member said, "If you're going to be more than a one-trick pony, you have to have some pretty special ponies."

Training

To find and train new recruits, lessors will have to step over pass-through managers to recruit young professionals who will commit to the career of leasing. Otherwise, those whose tenure in leasing is only a stepping stone to a broader career will quickly move on without learning the more sophisticated tools and techniques that form important parts of leasing's value proposition. Bank lessors in particular will have to educate their parent companies as to the necessity of recruiting and hiring committed leasing professionals.

Independents provide a good model. Many hire smart, educated, aggressive people from outside the industry who are willing to be trained in leasing. And because many independents are small, they train on the job. But the industry must establish new training programs that do a "deep drill" into the various credit disciplines and products that form the science and art of leasing. These programs must be accessible by the majority of leasing and finance companies.

In an extension of this thought, lessors with existing training programs might consider diversifying by opening their classes to other lessors. The goal: to produce a new generation of lessors who view themselves not as generalists, but as leasing specialists. Otherwise, few younger professionals will be available to replace today's lessors when they retire.

Perpetuation

Within five years, many of the most experienced lessors in the industry will retire. Just as these graying professionals entered the industry in a wave, so they will depart, leaving a void of expertise and corporate memory unless the volume of new talent increases soon. Lessors once assumed that industry newcomers would learn the ropes at one of several large companies that provided training in leasing, but those companies no longer exist. Although new talent is available in pass-through managers, these men and women are rarely attracted to leasing when other careers are available within the same company. This, along with a more generous compensation culture, is why independents are expected to enjoy the most success attracting new hires in the next several years.

To remain competitive, lessors in general will have to place more priority on finding fresh talent. Being open to hiring sales professionals from other industries will expand the talent pool, as may efforts to lure recent college graduates with competitive compensation packages.

Lessors' challenge will be to communicate leasing's value proposition to potential job candidates. If candidates can't understand the industry, they aren't going to commit to it. Another challenge will be overcoming objections about erratic industry growth that will probably make it difficult to reward talent consistently.

Traditionally, theory has held that well-run companies prepare and plan for perpetuation, but no data exists to validate this perception. Council members see a pressing need for current leasing executives to place more emphasis on all succession-related planning and activities. Recruiting efforts must increase immediately so that new hires can be trained by established, successful leasing executives.

Pay

Until banks begin paying levels of compensation paid by other firms in the leasing industry, non-banks will be able to attract the best leasing talent. Some banks limit themselves by imposing a ceiling on the pay a sales representative can receive. Refusing to pay competitive compensation, Council members agree, will "suck the creativity" out of bank leasing.

On the other hand, Council members believe industry compensation levels in general may decline in several years as lessors re-tool to meet legal and regulatory compliance, and marketplace conditions.

The Future

The intermingling of so many issues complicates the choices lessors will face in their drive to redefine themselves and their industry. In an effort to distill some of these choices into do-able options, a number of disparate strategies are listed here:

- Diversify moderately. Avoid losing focus and control by having too many markets. Consider diversifying within product lines.
- Also consider specialization. Lessors may find added strength and growth potential by drill more deeply into existing markets.
- Use tools that are available, but continually search for new ways to facilitate new opportunities.
- Position yourself for new opportunities by becoming better at anticipating change and taking prompt action to deal with it.
- Expect change constantly, knowing that to weather it, you'll be required to reinvent your company from time to time.
- Charge your Research and Development department with the ongoing development of new products so that as one market ebbs, you can more easily move to another.
- Realize that if you want to change your company, your parent company must be willing to let you change.
- Do whatever it takes to become quicker, more flexible and more efficient, thereby helping to ensure your long-term success.
- Realize that the larger your asset base, the more difficult it may be to extract yourself from a market. Consider repositioning instead: Refrain from doing new deals in an ebbing market, but continue to service your existing business. You may meet some of those customers in another market.
- Follow your customers offshore. Five years from now, a higher percentage of new business originations will come from outside the U.S.
- Prepare for less liquidity. Liquidity is present in the market now, but when more investment opportunities appear, much of it will be absorbed.
- Focus not only on hiring new talent, but on training it. Instill historical perspective and encourage creativity.
- Don't limit training to producers. Develop personnel who are farther down the totem pole to enhance cross-training and strengthen all links in the corporate chain.
- Become comfortable financing non-traditional things. Find ways to add services, to lease software, and to extract incremental profitability from assets already on the books.
- Spend more time planning. Lessors who carve out time to anticipate and meet the future will be the winners in tomorrow's industry.

About the Industry Future Council Meeting

The Equipment Leasing and Finance Foundation Industry Future Council held its 24th annual meeting January, 2005, in Washington, D.C. This year's session was sponsored by American Lease Insurance.

Twenty-three senior executives attended, representing all business committees and industry segments. Jim Dalton, president of the association consultancy, Strategic Counsel, facilitated.

The IFC meeting is a forum in which industry leaders develop a long-range view of the equipment leasing and finance industry, including influencing forces, major trends that will change the market, variables that will signal the pace and direction of change, and anticipated actions and reactions among industry players. This report summarizes these discussions.

In preparation for the meeting, the Foundation held one teleconference and one "webinar." Attendees at these events were not IFC members, but other industry leaders who represent various ticket sizes and organizational structures within the equipment leasing and finance industry. The objective of these conferences was to identify key issues that warrant discussion and forecasts by Council members. Questions raised during the conference sessions provided fodder for an IFC meeting that would simultaneously be broad in scope and deep in projection and potential solutions for the future.

The discussion was divided into four issues that drive the industry. These drivers are the marketplace, the legal/regulatory environment, human resources and the economy. Because each driver plays a critical role, the reader should not infer importance based on position in the report.

Issues, concerns and trends were discussed for each driver. Where there was general consensus on an issue, the Council focused on factors that might change and the likely harbingers of each. The goal was to produce a cohesive report that presents a large body of material in ways that will be conducive to smart navigation through the future of leasing.

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