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Equipment Lease Securitization Performance Versus Other Asset Classes

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About the Study

We studied the performance of Equipment Lease and Loan-backed securities (ELL-ABS) by assessing their risk factors, and their performance during the crisis in 2008. We also studied and compared the performance of other asset classes, such as Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Student Loan-Backed Securities, Auto Loan-Backed Securities, 49 Equity Industries, various size and style portfolios, High Yield and Investment Grade Corporate Bonds, and Real Estate to the performance of ELL-ABS. Our findings show that during the recent financial crisis ELL-ABS performed better than almost all other asset-backed securities. ELL-ABS has outperformed stocks, corporate bonds, and real estate. The only asset class that has performed better than the ELL-ABS is the US Treasury securities, due to the extremely high demand for safe US treasury securities and a flight to quality during the crisis. We also document that Auto ABS performed relatively well during the crisis, due to their unique structure, which is similar to Equipment Lease ABS. We document the non-existent prepayment risk, relatively short durations, low delinquency rates, low net losses and charge-offs for Equipment Lease ABS as primary explanations for experiencing the good performance during bad times. Our findings indicate that the use of equipment lease and loan securitization as a source of funding is well justified.

Research Objectives

The objective of this paper is to provide a comparative analysis on the performance of equipment leases relative to the various other classes of asset-backed securities. The remainder of the paper is organized as follows. Section 2 provides an overview of equipment lease securitization. Section 3 discusses the methodology used to evaluate the performance of equipment lease-backed securities. Section 4 presents the results of our analysis on equipment lease-backed securities. Section 5 provides the results of our analysis of the performance of other asset classes. Section 6 offers conclusions.

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EXECUTIVE SUMMARY

The securitization market for equipment leases has played an important role in the availability of capital to companies in the equipment leasing and loan sector over the last two decades.

One of the primary benefits of securitization is that it usually presents firms with an additional method to provide liquidity and raise capital that is considered to be both dependable and inexpensive. This reduces borrowing costs and provides firms with access to liquid external markets that stretch beyond traditional capital sources.

The Equipment Lease and Loan Asset-Backed Securities (ELL-ABS) sector can involve many categories of assets including: agriculture equipment, construction machinery, corporate jets, machine tools, manufacturing equipment, medical equipment and office equipment.

This study assesses the performance of ELL-ABS by analyzing the associated risk factors and performance metrics that occurred during the financial crisis in 2008. Additional insight is provided with a comparison of ELL-ABS to the performance of other asset classes, such as Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Student-Loan Backed Securities, Auto Loan-Backed Securities, 49 Equity Industries, various size and style portfolios, High Yield and Investment Grade Corporate Bonds, and Real Estate to the performance of ELL-ABS.

Analysis of specific performance indicators, risk determinants, and the legal structure under which ABS must function are critical factors in measuring and understanding the performance of ABS. Types of credit support, asset pool characteristics, and portfolio performance factors are key performance indicators. A broad scope of risk determinants including delinquencies, defaults, concentration risks, diversification, recoveries, contract seasoning, and prepayment exposure are also considered. In addition, the current legal structure and continually changing regulatory environment must be understood and monitored to assess their impact. By completing this analysis, the relative performance of the various ABS security types can then be compared with one another, as well as with other asset classes such as stocks, bonds, and real estate.

The results of this study show that during the recent financial crisis ELL-ABS performed better than almost all other asset-backed securities. ELL-ABS has also outperformed stocks, corporate bonds, and real estate. The only asset class that has performed better than the ELL-ABS is the US Treasury securities. This is largely due to the extremely high demand for safety and a flight to quality during the crisis. The study also found that Auto ABS performed relatively well during the crisis, due to their unique structure, which is similar to Equipment Lease ABS. The non-existent prepayment risk, relatively short durations, low delinquency rates, low net losses and charge-offs for Equipment Lease ABS are primary explanations for experiencing the good performance during bad times. Study findings indicate that the use of equipment lease and loan securitization as a source of funding is well justified.

1. INTRODUCTION

1.1 Securitization Defined

Securitization is the process of selling financial assets into a special purpose vehicle and then issuing marketable securities based on these assets. The special purpose vehicle is structured as a legal entity separate from the originator. This structure is intended to isolate the riskiness of the parent company from the credit risks of the assets that were used in the securitization process. The securities issued are typically backed by the cash flows that come from the assets, and not by the parent company. The parent company normally services the assets for a servicing fee. The term securitization generally refers to two activities. First, a financial institution is said to have securitized a pool of financial assets (for example equipment leases or loans) when it creates securities backed by the cash flows from those assets and sells them to investors. Second, securitization is at times associated with the process of creating multiple tranches of securities that have different priorities in the receiving the cash flows from the underlying pool. The Equipment Lease or Loan ABS tranches normally follow the so-called sequential priority of payments, but can also be distributed pro rata. Sequential priority of payments gives senior tranches the first priority of payments, while the more junior tranches are subsequently paid. Thus, there are multiple tranches of ABS with varying characteristics, risks, duration, coupon rate, and seniority.

Securitization is categorized into two general groups: Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS). An MBS uses commercial or residential mortgage loans as the collateralized source of cash flow for the investor. An ABS is structured very similar to an MBS. However, rather than mortgages, a variety of assets are used to provide this cash flow. These assets may include credit card receivables, automobile loans, equipment leases, student loans and home equity loans. This paper will focus on the performance of equipment lease securitizations relative to the other forms of securitized products.

1.2 Economic Benefits of Securitization

Morris and Hudson (1988) identify several advantages for firms that use securitization as a source of funding. One of the primary benefits of securitization is its ability to provide firms with an additional method to provide liquidity and raise capital that usually is considered to be both dependable and inexpensive. This reduces borrowing costs and provides firms with access to liquid external markets that stretch beyond traditional capital sources. Since securitization draws from a pool of assets, it also allows firms to diversify the risks of individual leases by combining them with a larger group. This enhances risk management at firms by allowing a more efficient Asset-Liability Management process. Due to its flexible design, securitization provides the ability to create securities with varying duration, riskiness, and effective maturity, to satisfy specific investor needs. As such, securitization can make the markets more efficient. Securitization offers benefits to lessors, which include diversification of funding sources, lower cost of funds and potentially higher return on capital. Some companies are able to achieve gains on sales and the off balance sheet treatment for accounting purposes, thus generating a higher return on capital. Some others do term securitization and put all assets on their balance sheets and do not achieve gain on sales. Most issues have not had gain on sale since SFAS 166/167 because effective or off balance sheet treatment of assets, while legally sold, continue to be consolidated on the sponsors balance sheet.

Over the last several years, smaller companies have used this benefit less frequently due to investors' desire for more transparency. A big advantage that the securitization process offers to smaller leasing companies is that it is a less costly source of funding than the traditional funding sources. Sometimes – especially in conduits - it can be the only source of funding, if a small company has difficulties accessing the external capital markets. The reason for this is that the emphasis is placed on the quality of the underlying collateral in the securitization process, and not on the credit rating of the company.

1.3 Issues with Securitization

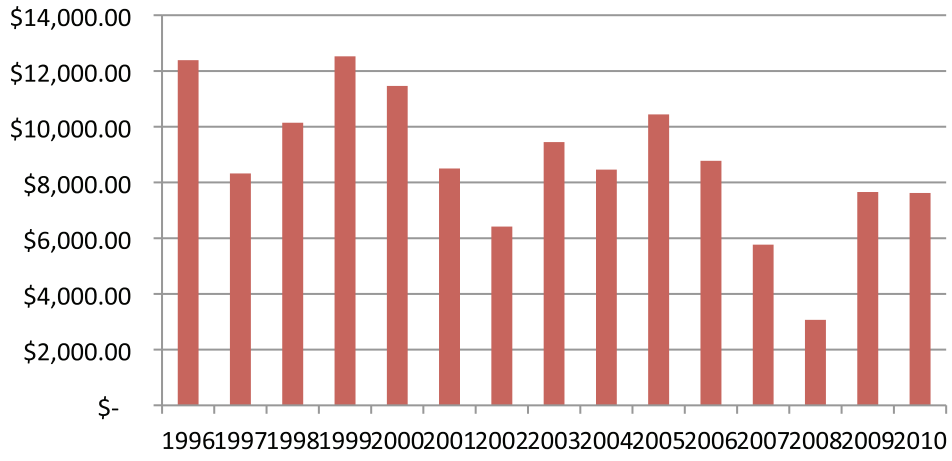
During the financial crisis in 2008-09, securitization (especially of MBS and not so much of other ABS) was prone to informational and incentive problems among the various parties involved in the securitization process (originators, servicers, depositors, and other market participants). Participants in securitization markets – originators, securitizers, rating agencies, and investors – have come to recognize that investors may have less information than other members of the securitization process, particularly in regard to the credit quality of the underlying assets. Furthermore, in some cases, the interests of some participants in the securitization may not be well aligned with the interests of investors.

2. EQUIPMENT LEASE SECURITIZATION OVERVIEW

2.1 History of Equipment Lease Securitization

The securitization market for equipment leases has played an important role in the availability of credit to companies in the equipment leasing and loan sector over the last two decades. Equipment leases were among the first non-mortgage assets that were securitized in the ABS market in the mid 1980s. Sperry Lease Finance was the first such securitization, backed by leases on computer equipment in1985. The note was not rated. It was a few years later – in 1988 – when the credit rating agencies started looking into the credit quality of leases. The market began to develop considerably throughout the 1990s, hitting its peak in 1999 with transactions totaling $12.5 billion. However, since the 1990s, the volume of equipment lease securitizations issued has been relatively stable, but mixed (as shown in Figure 1)[1].
A lease is an agreement between an equipment owner (lessor) and an equipment user (lessee), in which

Figure 1: Equipment Lease Securitization Issues ($ Millions)



Source: The Securities Industry and Financial Markets Association (SIFMA)

[1]Here we refer to only Term Securitizations and do not include Conduits.

the lessee makes a periodic payment to the lessor for the use of the equipment. There has been significant growth in the type of leased assets being used as collateral in the securitization process. Examples of collateral types include healthcare, office, computer, telecommunications, agricultural, construction, manufacturing, and transportation equipment, as well as airplanes, railcars, etc.

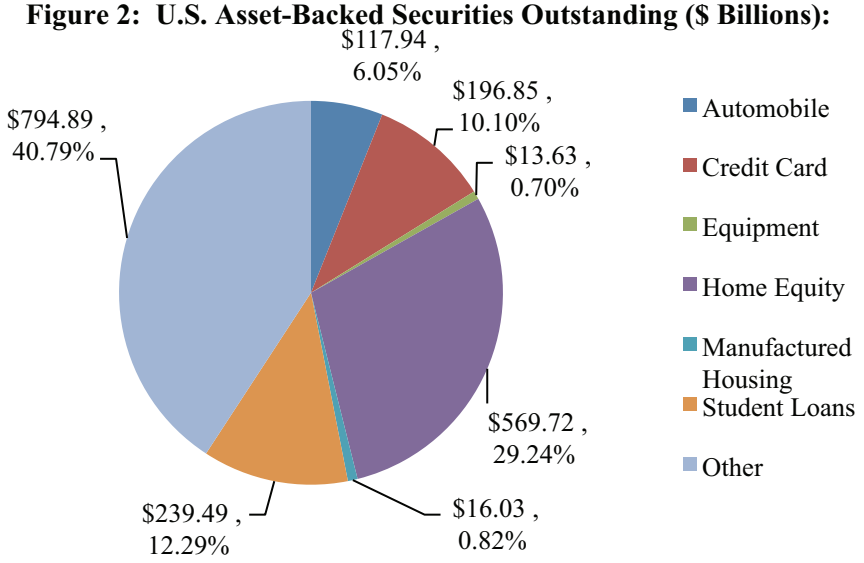
The composition of lessors in the equipment sector significantly changed in the 1998-2001 period. During this time, small or weak players were either acquired by larger and stronger entities or simply disappeared. The market contractions that began in early 2008 have affected the equipment sector just as it has all other components of the structured markets. Those companies that survived the 2001 recession came out stronger, larger, more diversified and better prepared to survive the next occurrence of market turbulence – the 2008 recession.

An equipment lease is a contract between a lessor and a lessee that permits a transfer of the right of possession and the use of property in return for defined set of scheduled payments. While there are various types, equipment leases can generally be separated into two broad categories, (1) operating leases, where the lessor retains ownership of the leased item, and (2) financing leases, where the lessee makes lease payments covering the full price of the equipment or leases the equipment for the whole life of the equipment. In the first case the lessor bears the risk of declining residual value of the equipment at the conclusion of the lease term. In the second case, the lessee bears the risk of full ownership of the equipment. Identifying a lease as a financing or an operating lease is not always straightforward because sometimes lease contracts can have the characteristics of both types of obligations.

2.2 The Market for Equipment Lease-Backed Securities

The Equipment Lease and Loan (ELL) and Asset-Backed Securities (ABS), or in short ELL-ABS, sector can involve many categories of assets including: agriculture equipment, construction machinery, corporate jets, machine tools, manufacturing equipment, medical equipment and office equipment. As shown in Figure 2, equipment lease securitizations made up less than one percent of the entire ABS market as of the first quarter of 2011.

Figure 2: U.S. Asset-Backed Securities Outstanding ($ Billions):

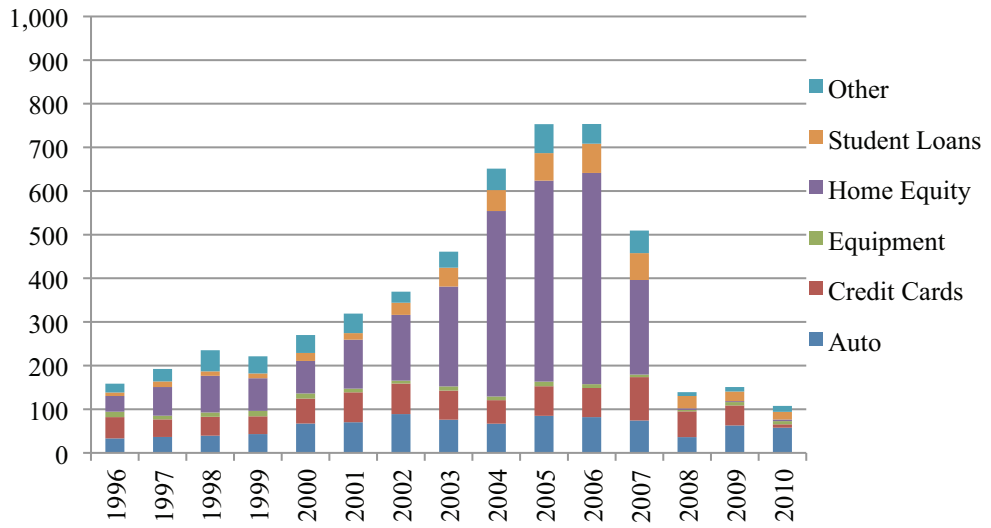


Source: The Securities Industry and Financial Markets Association (SIFMA)

Dixon and Emmett (2000) identify three key markets for asset-backed securities: the private market, the public market and the commercial paper market. The private market is attractive to many firms because it has relatively low marketing costs and can be accessed with smaller asset pools ($50 million to $200 million). The transactions are commonly placed with insurance companies or money market funds and are usually split into tranches with different tenures and credit ratings. This process allows issuers to optimize pricing while meeting the demands of investors. The public market typically consists of much larger asset pools ($300 million or more) to cover selling costs. These transactions are also split into tranches and structured similar to those in the private market, but on a much larger scale. Due to the considerable size of this market, it is typically utilized only by larger leasing companies that have significant volume and resources. The commercial paper market provides firms with a third method to obtain capital through asset-backed securities. To utilize the commercial paper market, a firm will first sell its receivables to a bank or other financial institution. The firm may also borrow from the issuing ABLP lender. This financial institution then issues commercial paper that is backed by the expected cash flows from these receivables[2].

The overall market for new asset-backed security issues has dropped off considerably since the subprime financial crisis in 2007. Figure 3 shows the trend of all new ABS issues from 1996 to 2010. Figure 4 shows the trend of all new MBS issues from 1996 to 2010. The pattern suggests that the subprime financial crisis and off-balance sheet financing have contributed to the deterioration of demand for all asset-backed securities. Interestingly, it appears that equipment lease-backed securities (shown in Figure 1) were able to recover slightly in 2009 and 2010 in comparison to all other asset-backed securities (shown in Figure 3). This suggests that investors have gained enough confidence to invest in equipment lease-backed securities relative to other asset classes, and firms have regained enough confidence to create new issues of those securities.

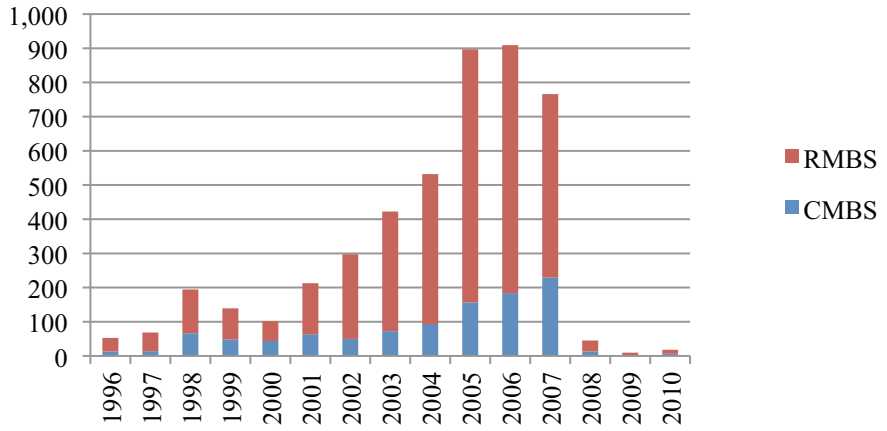
Figure 3: U.S. Asset-Backed Securities Issued ($ Billions)



Source: The Securities Industry and Financial Markets Association (SIFMA)

[2]There is a recent trend for some banks to go with LIBOR pricing and not issue commercial paper.

Figure 4: U.S. Mortgage-Backed Securities Issued ($ Billions)



Source: The Securities Industry and Financial Markets Association (SIFMA)

While it appears that the market exhibits more confidence in equipment lease-backed securities than some other asset-backed securities, it is also important to note that equipment lease securitizations represent a rather small portion of all outstanding asset-backed securities.

2.3 The Equipment Lease Securitization Process

The originators of equipment lease securitized products include small and start-up leasing companies that use securitization as their primary source of funding while working to establish a credit record. Leasing companies with established credit records and creditworthiness go to the debt market for funding. Even in that case, however, securitization is often used as a secondary source of funding. Thus, use of securitization can be managed as part of the overall funding strategy of many companies. Therefore, understanding the details of the equipment lease-backed securities, their performance, their use as a viable source of funding, and their relative standing in the market is important to market participants.

2.3.1 Industry Participants and Equipment Types

The ELL can be backed by loans or leases, and can be categorized as either loan/finance lease, or operating leases. Typically, the loans and finance leases for equipment are in the following sectors:

- Agriculture equipment
- Construction machinery
- Corporate jets
- Machine tools
- Manufacturing equipment
- Medical equipment
- Office equipment

Typically the operating leases are on:

- Aircraft and aircraft engines
- Containers
- Natural gas compressors
- Railcars
- Transportation

The market of equipment lessors can be divided into two groups: captive leasing companies and independent leasing companies. Independent leasing companies can be further divided into large and small lessors and bank financing companies. Loans and leases for large-ticket equipment are usually offered by the so-called captive finance companies associated with the equipment manufacturers. Loans and leases for small-ticket equipment are typically offered by independent finance companies.

2.3.2 Captive Leasing Companies

A captive leasing company is owned by the parent company. Normally, the credit decisions are made by the captive specializing in underwriting credits. The main objective of the captive is to finance its parent's products. The existence of the captive makes the leasing of the parent company's products less costly. Captives generally are not diversified - mostly they have equipment concentrations in their portfolios.

Large captive lessors generally offer product options within a specialized sector, such as construction equipment. Some of the advantages of such captives are their creditworthiness, history, brand loyalty, low losses, easier access to funding sources, and a track record of past securitizations. Some examples of large captive lessors include CNH Capital Corporation and J. Deere Capital Corporation.

2.3.3 Independent Lessors

Independent lessors can be divided into 3 categories: large, small-medium sized and bank financials.

Large Independent Leasing Companies

Independent leasing companies depend on their own product proficiency and their own capital. Independents compete by offering flexibility and a variety of products to meet their customers' needs. They generally have a national presence and more than $1 billion in lease receivables. Typically these companies are large and diversified. Examples include GE Capital and CIT Group.

Small to Medium Independent Leasing Companies

Independent leasing companies in this category usually have a receivables base of less than $1 billion. These companies generally specialize in certain types of equipment, such as office or healthcare equipment. The companies in this category are generally not diversified - mostly they have equipment concentrations in their portfolios. An example of a firm in this category would be LEAF Financial Corp.

Bank Financial Companies

This category includes banking institutions such as regional and community banks. Banks have been financing relatively large-ticket equipment deals, but they have not come close to securitizing their equipment-backed receivables.

2.3.4 Ticket Size

Participants in the leasing industry may also be categorized by the dollar size of their transactions, which is often determined by the type of equipment. The industry participants are categorized according to the cost of equipment leased as follows:

Micro-Ticket Equipment

Equipment in this category has an original cost of less than $25,000. Some examples of such equipment are computers, photocopiers, business signs, alarm systems, etc. Micro ticket leasing companies generally underwrite credit to participants in various industries and geographic areas.

Small-Ticket Equipment
Equipment in this category has an original cost of $25,000 to $100,000, and includes larger office equipment, computers systems, printing equipment, etc. Typically, the small-ticket leasing company leases its equipment to lessees in various industries and geographic areas.

Mid-Ticket Equipment
Equipment in this category has an original cost of $100,000 to $500,000. Typically, equipment types are printing, mainframe computers, and specialized industrial equipment.

Large-Ticket Equipment
Equipment in this category an original cost of $500,000 or more. Large-ticket equipment pools include large computer systems, medical equipment, such as MRI or CTScan, etc.

One of the implications that ticket size has on the portfolio is diversification. Small-ticket leasing companies generally lease to a more diverse group of obligors from a wider range of industries and locations than large-ticket lessors.

2.4 The Future of Equipment Lease-Backed Securities

The ELL-sector is a standout among the financial services sector because it nicely weathered the last recession of 2008, while others in the structured finance sector struggled or even disappeared. As investors escaped the structured product markets in 2008 and 2009, liquidity disappeared and new ABS issuance dried up. This was largely due to re-pricing of previously underestimated risk, credit quality, viability of ABS originators, and the guilt-by-association to the structured financial assets. The market contractions have negatively affected all areas of structured markets, in particular, and to a lesser extent, the equipment lease and financing industry.

The Industry Future Council (IFC) Report, published by the Equipment Leasing & Financing Foundation in 2010, provides a summary of a meeting of IFC members discussing the future outlook of the equipment leasing and finance industry. The general consensus of this meeting seemed to suggest that most executives remained highly skeptical that the industry would experience a quick recovery. This was mainly due to economic, political and regulatory factors set forth by the federal government. While generally cynical about the short term recovery of this industry, the IFC did remain optimistic about the long term performance of the industry. The equipment finance industry appears to be in a better position than many other finance sectors. This should allow the industry to be in a position to obtain a larger market share when the economy does begin to recover, provided that there are no unprecedented legislative or regulatory barriers.

3. METHODOLOGY FOR EVALUATING ELL-ABS PERFORMANCE

3.1 Performance Indicators

What determines the ELL-ABS performance? What are the risks involved? The underlying collateral characteristics of the pool of equipment play a crucial role in the performance of an equipment lease transaction and are important in determining the expected cumulative net losses (CNL). Rating agencies such as Fitch Ratings, Standard & Poor's and Moody's have provided documentation to describe the rating process for equipment lease-backed securities. The following are important determinants of the

riskiness of the ABS (including the ELL-ABS) and thus are important measures in understanding the performance of ABS.

Types of Credit Support
- Overcollateralization
- Subordination
- Reserve Accounts
- Excess Spread
- Residuals, to the extent not securitized

Pool Characteristics
- Collateral Evaluation
- Lessee Concentrations
- Geographic Concentrations
- Equipment Types and Manufacturer's or Vendor's Concentrations

Portfolio Performance
- Delinquencies
- Defaults
- Recoveries (both Value and Time)
- Prepayments

The type of credit support is important and will be analyzed later for different classes of ABS. For securitized products, information on the credit support and pool characteristics is normally disclosed in the prospectus or Private Placement Memorandum. As for the portfolio performance, past performance normally is included in the prospectus/PPM, but not always and not in detail. We use the delinquencies, charge-offs, and prepayments data to analyze the performance of ABS in the last decade. It is nearly impossible to obtain information on recoveries (both the time and the value) for private or public ABS.

3.2 Risk Determinants

Delinquencies and Defaults

As with any type of ABS, lessee defaults and delinquencies are the main credit risks in an ELL-ABS. Normally delinquencies are classified into groups, such as 31-60 days, 61-90days, or 90+ days overdue. Defaults normally are defined as 120+ days delinquent or otherwise deemed uncollectable by the Servicer. These classifications and definitions vary by lessor. Obligor defaults and delinquencies are considered to be risks due to the interruptions in expected cash flows.

Concentration Risks

Obligor concentration can create a significant risk in ELL-ABS. The concentration risk is generally more of a problem in large-ticket leasing portfolios because small-ticket portfolios usually have a large number of obligors from various industries.

Geographic Diversification

This is important to protect the pool from rolling recessions and regional economic downturns. In securitized portfolios a lack of geographic diversification may result in large losses resulting from natural disasters or regional economic problems.

Industry Diversification, Exposure to certain Industries

Sometimes the collateral may have exposure to certain "problematic industries" such as municipalities (a potential problem going forward due to widespread budget concerns of state or local governments), the automotive, construction, and real estate industries (last few years and maybe even going forward). The following were projections by the recent ELFA survey of industry participants related to "Exposure to certain Industry Risk" of ELL-ABS issuance in 2011:

- Construction equipment is "very depressed."
- Aviation is "very quiet" and expected to remain so for another year.
- In rail, there's no demand for locomotives or grain cars.
- The surplus of equipment in transportation is being absorbed and some over-the road equipment will soon have to be replaced.

Equipment diversification is important for those ABS types that have a high level of technology equipment as collateral. Technology equipment is highly prone to the risk of changing customer needs, which may cause lessees to go delinquent or default when experiencing economic hardships.

Recoveries

Recoveries are considered to be sources of credit support as they help offset the losses from defaults. Recoveries in lease-backed transactions are due to the secured nature of the obligations. The recovery timing and amount varies by the type and by the size of the underlying equipment. Small-ticket equipment is easier to repo and resell than big-ticket equipment. However, the small-ticket items have lower recovery value than larger ones.

Seasoning

Seasoning refers to the time the underlying contracts have been in place. A securitized pool with higher seasoning is likely to experience lower losses (CNL) than an unseasoned pool, as a portion of losses have occurred prior to securitization. Seasoning is an important characteristic of a securitized pool of ELL. A typical average seasoning is about 12 months per securitized pool.

Portfolio Servicing

The performance of an asset-backed transaction is also affected by the originator's ability to service receivables in a timely way. Tasks that are a part of the servicing that may impact performance include: billings, collections, repos, portfolio performance updates for the investors.

Residual Value

Residual values of cash flows being securitized are sometimes securitized themselves to provide additional credit support for equipment lease backed transactions. According to Moody's, the main difficulty in securitizing residual value is the complexity in *forecasting future residual values with certainty*, as this requires knowledge of specific underlying equipment types and their secondary markets. As a result, securitization of the residual value links the rating of the ABS to the credit risk of the lessor. Residual value is usually not a source of concern for small-ticket equipment portfolios, since the latter are primarily, but not always, finance leases.

Prepayment

Unlike mortgage-backed securities, prepayments on equipment lease ABS *are stable and usually insensitive to the level of interest rates*. There is little refinancing activity in equipment leases as borrowers have little incentive to refinance due to:

1. The short term nature of the equipment leases, and
2. For small-ticket lease portfolios, the impact of interest rate changes on payments is minimal.

Moreover, most equipment leases contain a *"hell or high-water"* provision. By this provision a lessee cannot voluntarily prepay and is required to make monthly payments regardless of any issues with the lessor. The servicer may allow a lessee to prepay for an amount no less than the present value of all remaining payments, residual amount (if there is any), and possibly a prepayment penalty. This provision protects the lessor and the investors. Therefore, *equipment lease ABS have less prepayment uncertainty* and more stable average lives than other securitized asset types like mortgages. However, it is possible to find cases of prepayments. The two significant reasons of ELL prepayments are:

1. Lessee defaults: when a lessee becomes delinquent, the lessor may repossess and sell the equipment - this will result in a prepayment.[3]
2. Equipment upgrades: The lessor may allow the lessee to prepay one lease to upgrade to a new equipment - this will result in a prepayment.

3.3 Transaction and Legal Structure

The legal structures and payment allocations of most ABS are similar. The most popular type of tranching of ABS is sequential tranching, although it is not the only type of tranching.

Interest Allocation

Using the sequential tranching approach, interest is allocated pro rata among the higher rated - class A - tranches, then sequentially to the next-level - class B and C, etc - tranches. Sometimes class A itself has multiple tranches, such as A-1, A-2, etc.

Principal Allocation

Again using the sequential tranching approach, principal is allocated sequentially, highest priority given to the tranches A, then B, etc. In case of a default, all principal is allocated first to the class A-1. Following the payout of the class A-1, principal is allocated on a pro rata basis among the remaining class A notes and then sequentially to classes B and C, etc. The payment distribution continues this way until the outstanding principal balance of each class is paid off.

Regulations

The Dodd–Frank Wall Street Reform and Consumer Protection Act addresses in part the risk retention of the ABS originators and securitization companies. Section 941(b) of the Dodd–Frank Wall Street Reform and Consumer Protection Act imposes credit risk retention obligations on securitizers and originators of assets securitized through the issuance of ABS. That regulation will have an impact on the securitization volume, process and activity for the years to come.

The intention of the Section 941 is to align the interests of originators and securitizers of ABS with those of investors. The Act requires that the securitizers and originators retain some of the credit risk of the assets being securitized.

Based on the ELFA's latest survey, for lenders, increased capital requirements and regulatory uncertainty continue to weigh on their willingness and ability to extend credit. This limitation will negatively im-

[3]In some transactions, this would be considered a default and not a prepayment.

pact potential growth. Industry participants have expressed some concerns related to the new regulations regarding consumer protection under the Dodd-Frank Act, and some accounting rule changes in 2011.

On a positive note, the industry participants mentioned the inclusion of 100% expensing for qualified capital investments, including investments in plants and equipment for 2011 and a 50% deduction for 2012 as an important element of the year-end tax package resulting from agreements between the President and congressional negotiators.

4. RESULTS AND ANALYSIS OF ELL-ABS PERFORMANCE

4.1 Overview

The ABS marketplace continues to play an important role as a financing option for ELL's, albeit with challenges. Historically, ELL-ABS portfolios have experienced relatively low delinquencies and losses as evidenced by the consistent default and net loss experience from past years. However, due to the weak economy, ELL-ABS experienced performance deterioration during the period 2008-2010.

Total 30+ days delinquencies for the ELL-ABS increased to a recession high of 2.6% in end-2009 from 0.5% in mid- 2006, and 1% in mid-2008 per annum. On an aggregate basis, net losses increased to about 3% by mid-2010, compared to about 1% in 2007. In general, the delinquencies were larger in small-tickets compared to mid-size or large-tickets during the crisis period. We analyzed the delinquencies of the ELL-ABS during the last decade, by using data provided by a firm whose name will remain confidential (we will refer to this firm as "ANONYMOUS" for the remainder of this paper) to perform a static pool analysis.[4] This is a procedure where a pool of loans from a specific time period has ongoing analysis conducted on it. We have analyzed delinquency, prepayments and net losses. As an example, for a given time period the following might be determined.

The static pool information provides us with detailed information on the following:

- Prepayments on a monthly basis
- Delinquencies - monthly detailed data
- Net losses – monthly data

Tables ANONYMOUS1-ANONYMOUS4 summarize the Static Pool Performance of the ANONYMOUS firm's securitized equipment loan and lease ABS since 2003. Table ANONYMOUS1 shows the breakdown of the pools by the mid-ticket equipment type, size, geography, contract rates and contract sizes. Tables ANONYMOUS2-ANONYMOUS4 provide data on prepayments (on a monthly basis), CNL, and total (30+ days) monthly delinquencies.

As can be seen from the tables, prepayments were contained for the ANONYMOUS firm's ELL-ABS. This is measured using a constant prepayment rate (CPR) model. The CPR model determines the annualized percentage of principal outstanding at the beginning of a period that prepays during that pe-

[4]We used additional data from two other sources to check and confirm the robustness of the results.

riod. The lifetime CPR was about 9% one year after the issue, about 12% after 24 months and approximately 15% after 36 months. In terms of CNL, the losses of the ELL were very low: the worst performing vintage was the 2007 Mid-ticket one. The CNL reached only 1.5%. This was 2.5 years after the origination, which was after the crisis. That is, during the crisis, the CNL of all vintages issued by ANONYMOUS were very low, especially compared to other asset classes. The total number of delinquencies (30 or more days) was also low: the worst performing vintage being the 2007 mid-ticket issue. The worst month was the 28th month where the delinquencies were about 9%. However, that appeared to be an outlier as it was contained and dropped substantially to its pre-recession level after 26 months of issuance.

Tables CONFIDENTIAL1-CONFIDENTIAL3 summarize the Static Pool Performance of a second, unique, ELL-ABS firm's securitized equipment loan and lease ABS. Most of the equipment securitized by CONFIDENTIAL was construction and agricultural equipment.

As can be seen from the tables, the prepayments were contained for the CONFIDENTIAL ELL-ABS. The lifetime CPR was about 20% one year after the issue, about 24% after 24 months (much lower than other asset classes, but higher than the ANONYMOUS pools). The difference can be attributed to the nature of the equipment being securitized. In terms of CNL, the losses of the ELL were very low: the worst performing vintage was 2007, for which the CNL reached only 0.94% two years after the origination, and only 1.26% three years after the origination, which includes the 2008-2009 crisis. As with ANONYMOUS, the CNL of all vintages issued by CONFIDENTIAL were very low, especially compared to other asset classes during the crisis.

The total number of delinquencies (60 or more days) was also low: the worst performing vintage was the 2007 issue. The worst month was the 32nd month: the delinquencies were about 7.3%. However, that also appeared to be an outlier. In almost every issue, the delinquencies were low, except for 2006 and 2007. The latter issues had higher delinquencies due to their exposure to construction equipment that was being used in real estate and the sharp decline in their demand in real estate construction.

We also analyzed annual delinquencies and CNL for the CONFIDENTIAL firm, using their aggregate annual data from 1998 until and including 2010.

As Table CONFIDENTIAL5 shows, the CONFIDENTIAL firm had more than 250,000 receivables in aggregate for almost every year in the past 8 years, and more than 210,000 receivables in the past 13 years. The aggregate value of receivables has been $10 billion or more in the past 5 years and most of the equipment has been agriculture or construction-related. The data shows that the worst year in the past 13 years was 2002, followed by 2009 in terms of total delinquencies as a percentage of all receivables. The delinquencies were 4.32% in 2002 and 3.74% in 2009. Based on this measure, the 2002 recession was worse than the 2008/09 crisis, despite the common viewpoint that the 2008 crisis was the worst in the post great depression period. It was not the case for the ELL-ABS issued by CONFIDENTIAL.

Looking at the CNL numbers on Table CONFIDENTIAL4, it is apparent that the worst year was 2010, during which the CNL reached its peak at 0.94%. This is a bit higher compared to the 2002 data – which was only 0.72%. By all standards, the less than 1% CNL was a good performance for the CONFIDENTIAL ELL-ABS.

As another case study, we use data on 2008-A and 2011-A issues of ELL-ABS by a third, unique, firm referred to as "PRIVATE." The two are selected to cover pre-and post- crisis period. The tables PRI-

VATE1 and PRIVATE3 show aggregate pool-level numbers for the 2008-A and 2011-A trusts. The weighted average APR was 5.22% in 2008 and 3.36% in 2011. The aggregate value was about $517 million in 2008 and $1,172 million in 2011.

The weighted average maturity was 46.1 months in 2008 and 54.6 months in 2011. The implied seasoning for the 2008 trust was 8.72 months in 2008 and 4.64 months in 2011. An average contract age was 8.72 years in 2008 and 4.64 years in 2011.

Looking at the tables PRIVATE2 and PRIVATE4, one can see that about 80% was agricultural and 18% was construction equipment in 2008, compared to 95% in agricultural and only 4% construction equipment in 2011. This discrepancy reflects the sharp decline in construction activities post-crisis.

Tables PRIVATE5 and PRIVATE6 report the historical performance data for PRIVATE, covering the 2004-2011 period. Historical credit losses have been low, reaching their peak of 1.32% (only) for the 3/2009 to 3/2010 period. Overall, the losses have been very low for the PRIVATE Securitized ELL-ABS as the table PRIVATE5 shows. The total delinquencies have also been low historically. The highest annual delinquency has been observed in 2009, which was only 3.94%. In 2010 the total delinquencies were 2.53% - as low as the level before the crisis.

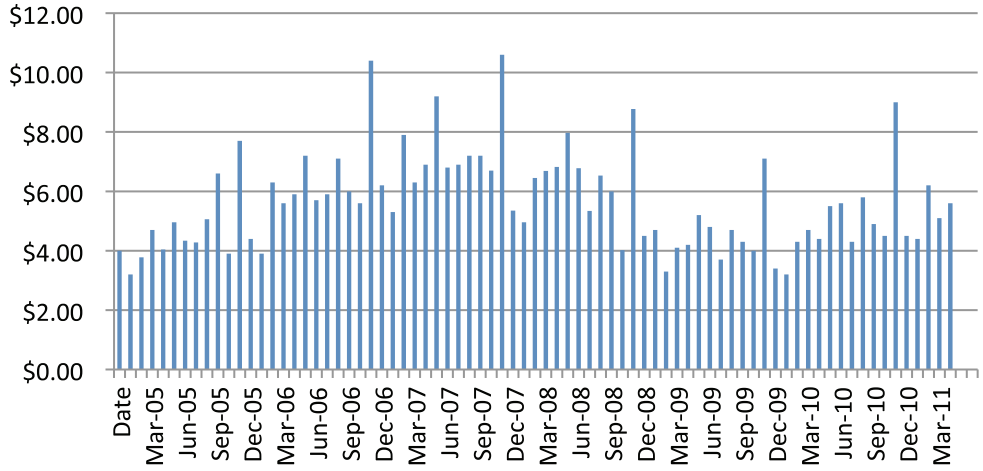
The contained delinquencies and losses in all the trusts reviewed above (by ANONYMOUS, CONFIDENTIAL and PRIVATE) consistently demonstrates a great ELL-ABS performance during the crisis in 2008.

4.2 The Current State of the ELL Industry

Another way of monitoring the overall ELL industry performance and participants' level of confidence is the periodically published statistics from the Equipment Leasing and Finance Association which represent a compilation of statistics from 25 member firms. The Monthly Leasing and Finance Index (MLFI Index) reports macro level primary performance data for 25 major lessors in the industry. The Equipment Leasing and Finance Association's Monthly Leasing and Finance Index (MLFI-25) reports on equipment finance activity such as New Business Volume, Aging of Receivables, Net Investment at Risk, Average Losses, Credit Approval Ratios, and Total Number of Employees. See the ELFA site for more details about the index, its detailed description and methodology http://www.elfaonline.org/ind/research/MLFI/).

We selected data for the period from March 2005 to March 2011 to analyze the current state of the ELL sector, compare it with its past, and gauge the impact of the recent credit crisis and recession on certain important measures. Looking at the graph below, it is apparent that the New Business Volume started to deteriorate in Mid-2009 and stayed at the same low level until early 2010. The volume picked up slowly in 2011 to reach its pre-recession levels in May 2011. In addition to stabilized business volume, delinquencies and charge-offs in the MLFI Index have also either improved or stabilized. Uncollected receivables over 30 days declined to 3.70% in April, from 4.20% in the prior month and 4.0% in the year-earlier period. While charge-offs increased slightly in April at 1.60%, up from 1.50% in the prior month, the result is still significantly below typical consumer credit card charge-off rates (in the 7-9% range depending on the issuer), and an improvement over the year-earlier period.

Figure 5: New Business Volume (in $billions)

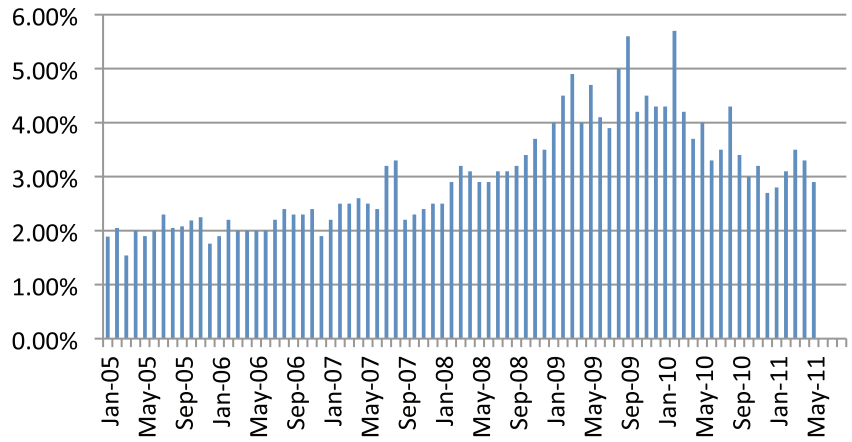


Source: http://www.elfaonline.org/ind/research/MLFI/

It is clear from Figure 6 below that credit quality continues to improve in the last few months. Aging of Receivables started to increase in early 2008 and more than doubled by the end of 2009. The level started to decline in early 2010 reaching its March 2008 level in May 2011. As we saw earlier, company size is an important measure (a proxy for a risk) for ELLs.

The data (see http://www.elfaonline.org/ind/research/MLFI/ for data on small-ticket[5]) shows that the Aging of Receivables for small-ticket has been consistently higher by about 25-30% than the Average Sized Ticket during Jan 2009-May 2011 period.

Figure 6: Aging of Receivables Over 30 Days (% of Rec.)

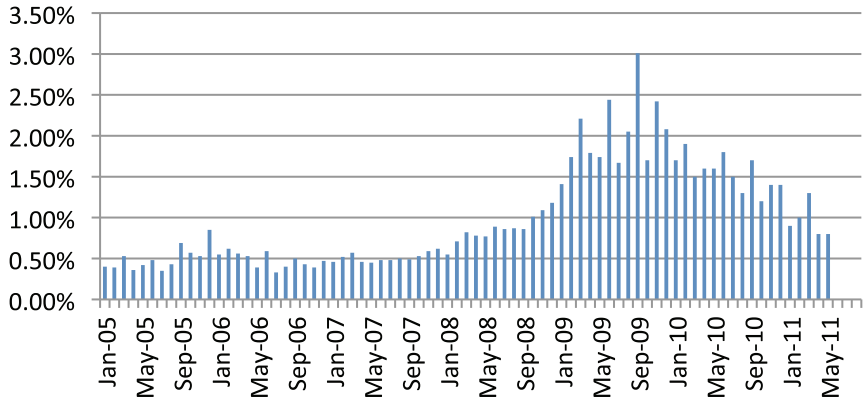


Source: http://www.elfaonline.org/ind/research/MLFI/

[5]The small-ticket global metrics represent the averages only and may not be representative for selected small-ticket lessors. In fact, there are some small-ticket lessors that perform significantly better than the MLFI-25 in terms of delinquencies and in terms of losses.

Average Losses (Charge-Offs) were contained below 0.5% up until early 2008. Then the losses started to increase to 1% by October of 2008, and increased further to 2% by mid-2009, reaching an all-time high of 3% in September 2009. The losses started to decline since September 2009 to about 0.8% level - the mid-2008 level. Small-ticket has been consistently higher during Jan 2009-May 2011 period, by a range of 0-70%. In Sept 09 and Mar 11 they were the same.

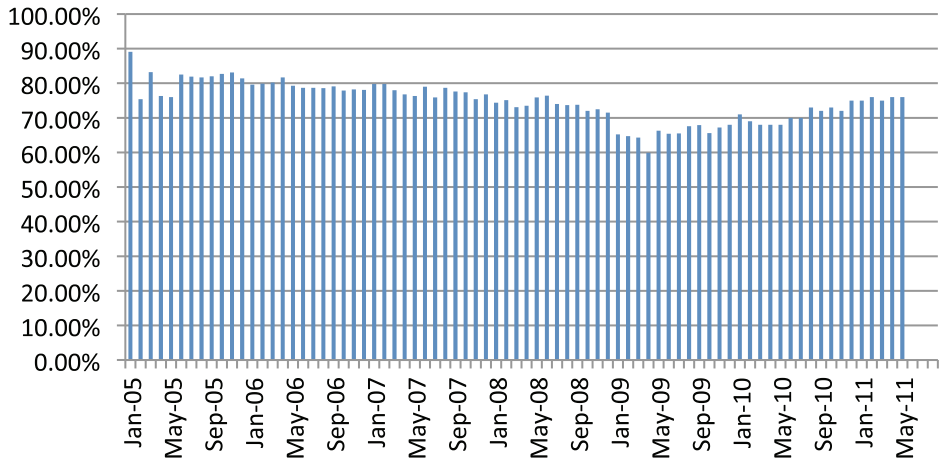
Figure 7: Average Losses (Charge-Offs): % of Net Receivables



Source: http://www.elfaonline.org/ind/research/MLFI/

Credit Approvals started to decline in December 2008 and continued until April 2009. Starting in April 2009, approvals began increasing and reached their pre-recession level (of about 75%) in May 2011.

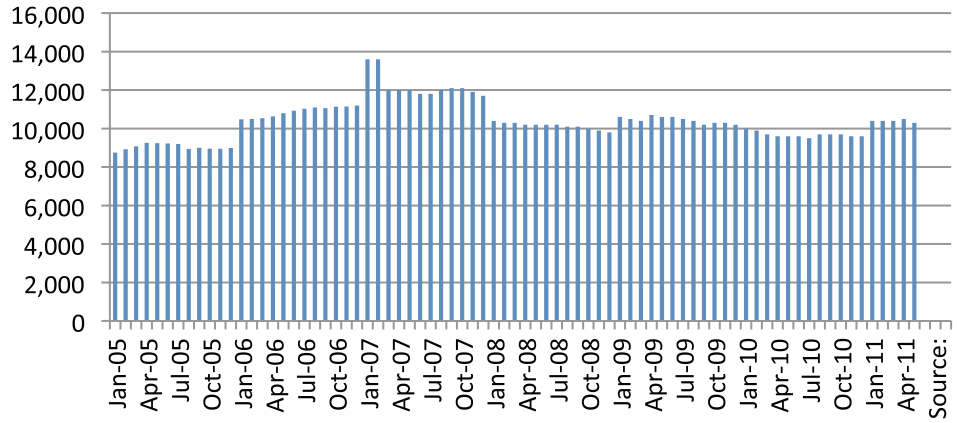
Figure 8: Credit Approval Ratios: % of All Decisions



Source: http://www.elfaonline.org/ind/research/MLFI/

Total number of employees started a decline in January 2008 that continued until January 2009. Since then the number has been stable until early 2011 when it began increasing.

Figure 9: Total Numbers of Employees (Thousands of Employees)



Source: http://www.elfaonline.org/ind/research/MLFI/

To further analyze the operational performance of the industry, its current standing, and performance, we looked at the findings of the ELFA released in its annual report on the State of the Equipment Finance Industry for 2010. We collected information on historical operational performance (ROE, ROA, charge-offs, and net income growth), new business volume, profitability, and yields.

As can be seen in the table below, the industry has experienced a significant decline in performance (measured by ROE or ROA) and hit bottom in 2009. In 2009 both the ROE and ROA declined by about 50%, the charge-offs more than doubled, and the net income fell by more than 60% compared to year 2008. In addition, as the table for new volume shows, the new business volume declined significantly for Banks, Captives and Independents. The overall drop in the new business volume was about 30% as the table below shows. In terms of new business, the Financial Services group performed the worst, by experiencing a 46% drop in the business. Significantly, despite the slowdown and performance deterioration, the ROE (and ROA) nevertheless stayed positive in 2009.

Table ELFA1: Five-Year Historic Financial Indicators (% - Dollar WA)

	2005	2006	2007	2008	2009
ROE	14.0%	13.6%	12.0%	11.0%	5.2%
ROA	1.7%	1.6%	1.9%	1.2%	0.6%
Charge-Offs	1.0%	0.6%	0.8%	0.7%	1.6%
NI Before Taxes	27.5%	23.5%	24.1%	22.0%	8.3%

Source: 2010 SEFA Tables 17a, 19a, State of Equipment Finance Ind. Fig. 4

Table ELFA2: Total New Business Volume By Organization Type ($B)

	2008	2009	Change
Banks	51.6	38.2	-26%
Captives	32.2	25.5	-21%
Financial Services	32.4	17.4	-46%
Total	**116.2**	**81.1**	**-30%**

Source: 2010 SEFA, Table 1a; State of Equipment Finance Industry Figure 8

The quality of portfolios also declined due to the recession. The delinquencies increased by 40% from year 2008, and more than doubled compared to 2007 or 2006. The non-accruals more than doubled in 2009 compared to 2008 or 2007. As the table shows, all industry participants suffered a significant downturn.

Table ELFA3: Profitability Quality (% - WA)

	2005	2006	2007	2008	2009
Delinquencies 90+ Days	0.8%	0.6%	0.6%	1.0%	1.4%
Banks				0.5%	0.8%
Captives				2.5%	3.0%
Independents				1.3%	1.9%
Non-Accruals	1.2%	1.0%	0.9%	0.9%	1.9%
Banks				0.7%	1.7%
Captives				1.1%	1.5%
Independents				1.5%	2.4%
Charge-offs	1.0%	0.6%	0.8%	0.7%	1.6%

Source: 2010 SEFA Tables 17a, 19a, State of Equipment Finance Ind. Fig. 4

Looking at the table below, it is apparent that the average yields have actually dropped in 2008 and 2009 compared to 2006 or 2007. The spreads have increased in 2009 by about 80 bps from the last 4-year average. However, the yield had declined in 2009 by about 75 bps from the last 4-year average. The reason for this was the decline in the cost of funds, and not the spread-widening due to credit risk as was the case in other fixed income areas, including MBS, CMBS, and many ABS.

Table ELFA4: Pre-Tax Yield, Cost of Funds & Pre-Tax Spread Five-Year Trend ($-WA)

	2005	2006	2007	2008	2009
Average Pre-Tax Yield	7.40%	8.30%	8.19%	7.29%	7.15%
Banks				6.58%	6.62%
Captives				8.24%	7.79%
Indep. Financial Services				8.10%	8.65%
Average Pre-Tax Spread	3.17%	3.06%	2.93%	3.01%	3.85%
Banks				2.72%	3.70%
Captives				3.63%	3.61%
Indep. Financial Services				3.39%	4.65%
Average Cost of Funds	4.23%	5.24%	5.25%	4.21%	3.30%
Banks				3.86%	2.92%
Captives				4.60%	4.18%
Indep. Financial Services				4.70%	4.00%

Source: 2010 SEFA, Table 10a, 10c, State of Equipment Finance Industry Figures 12 & 13

Looking at the yields, spreads, and cost of funds, it is apparent that the yields, cost of funds and spreads vary substantially across different segments, sizes and equipment types, as the above two tables show. The Independents had the highest pre-tax yields and the highest spreads. Banks however, had a significant advantage in cost of funds. The size of the organization also played an important role in the yield, spread and cost of funds. As expected, large size companies had the low-cost advantage. Mid-size companies ($50-250 million) had the highest spread and the highest yields.

Table ELFA5: Pre-Tax Yield, Cost of Funds & Pre-Tax Spread by Organization Size in Annual Volume

	< $50 Million	$50-$250 Million	$250 Million - $1 Billion	> $1 Billion
Average Pre-Tax Yield	8.66%	9.17%	7.76%	6.87%
Average Pre-Tax Spread	4.10%	5.33%	4.11%	3.62%
Average Cost of Funds	4.56%	3.84%	3.65%	3.24%

Source: 2010 SEFA Table 10e, State of Equipment Finance Industry Figure 14

4.3 Diversification and Performance

Certain equipment types are sensitive to industry-specific performance. Most recently, portfolios composed of construction equipment have experienced higher default frequency and losses due to the deteriorating residential and commercial real estate markets. As was found and reported by Fitch Ratings (see www.fitchratings.com), historically, stronger performing collateral pools consist of such equipment that is less specialized and retains its value over time.

Various underlying collateral are exposed to different risks, so pooling together a diversified group may help to reduce idiosyncratic risks. For example, delinquencies, repossessions and net losses on agri-

cultural contracts may be affected by weather conditions such as flood and drought, changes in commodity prices, etc. On the other hand, delinquencies, repossessions and net losses on construction contracts may be affected by interest rates, housing starts and consumer confidence.

The ELL sector performance is not uniform across various equipment types. The economic growth trends may favor some types of leases or loans; changes in regulations may have negative impact on some other types of leases; the economic changes (such as periods of economic expansions, contractions, recessions, etc.) may impact different equipment types differently. For example, agricultural equipment-based ABS has done well amid the recent crisis and recession. The current view is that it will continue to do well not only in the US, but also globally. The main reason to justify such a view is the rising demand for food due to rising world population. Another example is healthcare equipment-based ABS. This sub-sector has shown volatile performance in the past, and due to potential healthcare-related changes in regulations and competition in the industry, may continue its volatile behavior.

4.4 Size and Performance

Size matters when assessing equity performance. There have been many studies to show that size should be viewed as a proxy for some kind of risk. Fama and French (1993) have suggested using Size as a factor in analyzing equity performance. We analyzed the importance of Size in the behavior/performance of ELL-ABS by examining the ELL-ABS data based on Size. ANONYMOUS had an Equipment Small-Ticket LLC issued in 2011, in which they report performance statistics for their past small-ticket issues. We will refer to the issue as ANON-2011-1. There have been five ANONYMOUS small-ticket transactions: 2011-1, 2009-1, 2005-2, 2005-1, and 2004-A. The sample size may not be enough to study the entire population of transactions, and we do not possess such detailed information to study the entire population, but we have enough data to analyze the small-ticket in isolation and compare and contrast with medium or large-ticket[6].

ANON-2011-1 includes a slightly weaker mix of equipment types, compared with the previous transaction, as it includes a larger concentration of office equipment that has historically performed worse than non-office equipment (according to Fitch Ratings report – see the Asset-Backed Presale Report on January 31, 2011 at www.fitchratings.com). Approximately 85.5% of series ANON-2011-1 is office equipment collateral. This concentration is higher than previous securitizations, which consisted of 39%, 52%, 44%, and 72% of this collateral type. It should be mentioned that for some issuers office equipment has been one of the best performing area. According to Great America Leasing Corporation, the office equipment continues to be a large subset of their term transactions and that subset of their portfolio has always been their best performer with respect to losses.

The top three equipment types in the 2011-1 pool are office equipment, technology and telecom, and industrial equipment. As can be seen from the Table below, ANONYMOUS has stayed away from real estate and printing. Similar to 2009-1, there have been no healthcare receivables included in 2011-1. Healthcare receivables were a driver for higher losses within the ANON-2005-2 transaction.

A pool with higher seasoning is likely to experience lower CNL than an unseasoned pool, as a portion of losses have occurred prior to securitization. The collateral supporting ANON-2011-1 has 12.2 months of seasoning as of the cutoff date, the second highest of any ANONYMOUS small-ticket transaction to date. This represents a decrease from the 2009-1 transaction, which had 14.72 months seasoning as of the cutoff date.

[6]It should be noted that the conclusions we make here are for average transactions. This may not represent most transactions and will not represent all transactions.

Table ANONYMOUS-ST1: Trust Asset Characteristics for ANONYMOUS - Small-Ticket.

	ANON-ST 2011-1	ANON-ST 2009-1	ANON-ST 2005-2	ANON-ST 2005-1	ANON 2004-A
Aggregate Lease Balance ($)	727,829,677	678,628,911	735,448,834	751,114,649	472,428,724
No. of Contracts	37,091	43,826	28,965	31,439	15,616
Average Receivable Value ($)	19,623	15,485	25,391	23,891	30,252
True Leases (%)	97.79	96.87	49.88	63.01	56.04
Finance Leases (%)	2.21	3.13	19.39	24.74	21.65
Loans (%)	0.00	0.00	30.73	12.24	22.31
WA Original Term (Months)	52.38	50.37	56.49	54.21	54.52
WA Remaining Term (Months)	40.15	35.63	51.42	46.32	47.52
WA Seasoning (Months)	12.24	14.74	5.07	7.89	7.00
WA Int on Receivables (%)	9.74	9.38	8.47	8.01	7.72
Equipment Type					
Office	85.52	71.65	44.02	52.18	38.87
Healthcare Receivable	N/A	N/A	21.30	6.37	16.37
Technology and Telecom	8.01	12.98	9.78	13.99	7.53
Industrial	2.76	8.65	9.73	5.07	7.68
Printing Presses	N/A	N/A	6.54	9.14	18.11
Obligor Industry (Greater than 5.5%)					
Services	59.67	60.12	39.63	46.53	37.66
Healthcare	9.08	7.94	24.30	11.26	21.38
Printing and Publishing	N/A	N/A	9.05	12.00	6.59
Manufacturing	7.09	7.23	6.62	9.53	3.43
Geographic Concentrations (%)					
Largest State	(CA) 12.04	(FL) 9.17	(CA) 15.23	(CA) 11.44	(CA) 14.54
Second Largest	(FL) 11.26	(NY) 8.52	(FL) 8.24	(FL) 8.96	(FL) 8.55
Third Largest	(NY) 8.71	(TX) 7.86	(TX) 8.17	(NY) 8.13	(TX) 8.07
Obligor Concentrations (%)					
Largest Obligor	0.98	0.78	0.49	0.87	1.18
Top Five Obligors	2.94	2.15	1.91	3.19	4.27
Residual (%)	11.40	14.72	7.16	9.67	9.76
Aggregate Residual Value ($)	83,006,679	99,882,266	52,668,503	72,649,189	45,719,284
No. of Leases with Residuals	36,134	41,657	21,931	31,427	12,221
Average Residual ($)	2,297	2,398	2,402	2,311	3,741

Source: FitchRating.com. Asset-Backed Report.

4.5 Delinquency and Loss Performance

Table ANONYMOUS-ST2: ANONYMOUS - Small-Ticket. Delinquency and Loss Performance.

Delinquency and Loss Performance
($ Millions, Years Ended Dec. 31)

	Nine Months Ended					
	9/30/2010	9/30/2009	2009	2008	2007	2006
Total Originations						
Principal Balance Outstanding	1,821	2,100	2,029	2,681	2,916	2,835
Credit Losses	41.57	40.96	52.92	44.92	34.50	29.88
% of Principal Balance Outstanding	**3.00**	**2.60**	**2.61**	**1.68**	**1.18**	**1.05**
Total Delinquencies	52.95	104.34	101.04	103.17	71.45	47.69
% of Principal Balance Outstanding	**2.91**	**4.97**	**4.98**	**3.85**	**2.45**	**1.68**

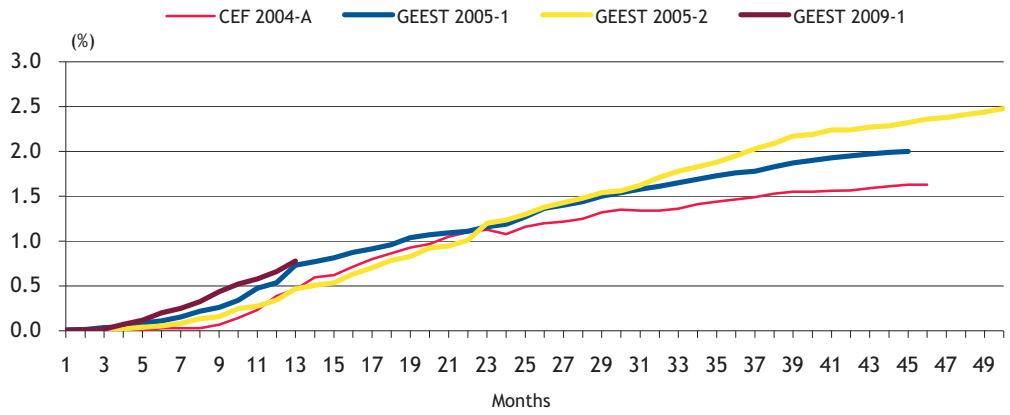
Source: FitchRating.com. Asset-Backed Report.

Starting in 2007, ANONYMOUS's portfolio experienced deteriorating trends in delinquencies and net loss performance. ANONYMOUS's portfolio consisting of more than 80,000 contracts experienced rapidly rising trends in its delinquencies and credit losses during the crisis, reaching its peak at the end of 2009. The portfolio has shown substantial improvements since the end of 2009. Total delinquencies dropped to 2.91% in Sep. 2010 from 4.97% a year ago. Net losses on the same portfolio increased, though not a lot, to reach the high of 3% in Sep. 2010.

4.6 CNL Performance

Looking at the CNL of the small-ticket, it can be seen that the rate of growth in the CNL has not changed year-over-year, especially during the 2008-09 period. That is, the small-ticket (by ANONYMOUS) has shown high resistance and strong performance during the crisis. The oldest three securitizations are currently paid in full, with lifetime CNL of 1.63%, 2.00%, and 2.48% for the 2004-A, 2005-1, and 2005-2 transactions, respectively. The higher loss experience within the 2005-2 transaction was primarily due to the inclusion of healthcare receivables and weaker economic environment during the recent recession. The 2011-1 transaction does not include healthcare receivables, similar to the prior transaction. On a CNL basis, the 2009-1 transaction has experienced cumulative net losses of 0.78%.

Figure 10: ANONYMOUS Small-Ticket Securitization Performance (Cumulative Net Losses)



Source: FitchRating.com. Asset-Backed Report. 2011.

Comparing the CNL of small-ticket to the CNL of medium/large-ticket Transportation Equipment from Table ANONYMOUSCC1, one can clearly see that small-ticket have had higher losses, especially the 2008 issues, which had 3.05% CNL 12 months after the issuance for the small-ticket, compared to only 0.89% CNL of the medium/large issue. The same relative performance is observable in every issue and after any number of months of issuance. It seems that small-ticket is riskier than medium/large-ticket Transportation Equipment. This conclusion, however, is for a large issuer and for the transportation equipment only, and does not represent how all term securitizations perform.

The historical delinquencies of medium/large-ticket are shown in Table ANONYMOUSCC2 and in Table ANONYMOUSCC4 for small-ticket. The delinquencies were 2.3% for the medium/large in their worst year – in 2009, whereas it was 4.36% for the small-ticket, in the same year. Overall, the delinquency rates have been higher for small-ticket compared to the ones of medium/large-ticket for the issuer under consideration.

Comparing the CNL of small-ticket to the CNL of medium/large-ticket Equipment ABS from Tables ANONYMOUSCC3 and ANONYMOUSCC5, one can see that small-ticket have had higher losses then the medium/large-ticket Equipment ABS. Small-ticket had 2.29%, 3.66% and 1.39% CNL during 2008, 2009, and 2010 respectively, whereas the medium/large-ticket CNL were 0.22%, 0.87%, and 1.03% during 2008, 2009, and 2010 respectively. The conclusion we draw based on the data we possess: small-ticket is riskier than medium/large-ticket Transportation Equipment.

5. PERFORMANCE OF OTHER ASSET CLASSES

5.1 Relative Performance during the Crisis: Returns

Here we show the performance of consumer ABS, particularly the US Aggregate ABS Index of Barclay's, the Credit Card and Auto Aggregate and AAA-rated indices for the period from 2006 until 2010. The Table BGI1 shows the total and excess returns of six indices of ABS.

The returns of all six indices were not high during the year 2007 – pre-crisis – ranging from 2.11% to 5.93% in all six categories. The returns declined sharply in 2008; the ABS Aggregate dropping from 2.21% in 2007 to -12.72% in 2008. Relatively, the Auto ABS was the best performing ABS class: the return for Aggregate Auto ABS was -5.58% in 2008.

2009 saw a strong recovery in every category: the US Aggregate ABS return was 24.72%. The ABS Aggregate and AAA-rated indices have posted high returns of 6.09% and 5.87%, respectively in 2010. That was a significant drop from the year earlier, during which the returns were 24.72% and 20.92% respectively. The same type of sharp decline in performance can be seen in Credit Card and Auto Aggregates and AAA-rated indices. Within the securitized sector credit card ABS outperformed, with aggregate and AAA-rated index returns of 6.95% and 6.67%, respectively, compared with 6.2% for the US Securitized Aggregate Index.

Excess returns versus Treasuries on the ABS Aggregate and AAA indices lagged behind the broader US Securitized Aggregate index, but remained positive. The same behavior is observable in excess returns over swaps.

Table BGI1: Barclays Securitized and ABS Indices total and excess returns (%).

	US Securitized Agg.	ABS Agg	ABS AAA	Credit Card	Credit Card AAA	Auto Auto	Auto AAA
Total Return							
2006	5.16	4.7	4.64	4.55	4.53	4.61	4.57
2007	6.64	2.21	2.11	5.45	5.93	5.22	5.46
2008	4.64	**-12.72**	**-8.58**	**-9.33**	**-5.43**	**-5.58**	**-3.7**
2009	7.78	24.72	20.92	29.89	23.78	26.07	20.34
2010	6.2	6.09	5.87	6.95	6.67	3.15	2.42
Excess Return vs. Treasuries							
2006	1.22	0.87	0.78	0.8	0.71	0.51	0.47
2007	-2.19	-6.34	-6.45	-3.4	-2.93	-2.04	-1.7
2008	-6.18	**-22.23**	**-18.13**	**-19.53**	**-15.66**	**-12.2**	**-10.32**
2009	7.02	24.96	21.17	30.36	24.27	25.26	19.49
2010	2.86	1.95	1.59	2.34	1.96	1.62	0.94
Swaps							
2006		0.33		0.26		0.07	
2007		-5.8		-2.83		-1.62	
2008		**-23.42**		**-20.71**		**-12.86**	
2009		23.72		29.14		23.87	
2010		1.49		1.78		1.35	

Source: Barclay's Capital

Investors in most asset classes of ABS have suffered losses, but not in all asset classes and not in the same proportions. For example, investors in Auto ABS have remained relatively safe and have not suffered losses as much as investors in the Real Estate ABS market. Here we focus on seven loan categories

which together account for a significant amount of securitization activity. The categories that we analyze here are real estate, consumer finances and business finance.

REAL ESTATE

1. Nonconforming residential mortgages (RMBS) (excluded securities guaranteed by the federal government or by government-sponsored enterprises (GSE)).
2. Commercial mortgages (CMBS)

CONSUMER FINANCES

3. Credit cards
4. Auto loans and leases
5. Student loans

BUSINESS FINANCE

6. Commercial and industrial bank loans (collateralized loan obligations - CLOs)
7. Equipment loans and leases (ELL).

These categories account for a substantial portion of the ABS market, excluding MBS guaranteed by the GSEs - Fannie Mae and Freddie Mac.

Performance during the crisis varied among the above-stated asset classes. All asset classes suffered losses during the crisis as many investors ran away from the ABS market and liquidity in the market dried up. Most (and most acute) losses were mainly concentrated in ABS backed by real estate. The main cause for those losses was the huge decline in house prices and their effect on outstanding loans, especially on those that were in the subprime categories. RMBS and CMBS issuance has dropped dramatically since the start of the financial crisis. In contrast, issuance of most types of consumer and business finance securitizations has rebounded somewhat.

5.2 Relative Performance during the Crisis: New Business

ELL-ABS issuance has recovered almost fully since the crisis, as the Table FED1 below shows. As the data shows, the number of deals in ELL-ABS had been more than 10 before the crisis and reduced substantially - from 10 in 2007 to 6 in 2008, but recovered in 2009 to its prerecession level. The total dollar volume of all the ELL deals saw a 50% reduction from 2007 to 2008, but got back to its prerecession level rather quickly – in 2009.

In fact, the total size of the ELL-ABS was $6,066 million in 2007 and $7,240 million in 2009. That is about a 20% increase, which is significant, given the fragile state of the ABS market. This type of recovery was not common in other asset classes. For example, the Asset Backed Commercial Paper (ABCP) market still had not recovered through 2009.

Even though we do not show the data here, the RMBS or the CMBS markets also did not recover after the crisis. In fact, these two classes suffered the most significant declines. The RMBS market size was $641,808 million in 2007, but only $28,612 million and $48,082 million in 2008 and in 2009 respectively. The number of deals was 860 in 2007, but only 95 and 127 in 2008 and 2009 respectively. The same situation is observable in the CMBS market. The Credit Cards ABS has not recovered to its prerecession level either: the new issuance was $94,470 million in 2007, but only $46,581 million in 2009. Auto ABS have done relatively better: the size was $66,773 million in 2007, and $53,944 million in 2009 – about a 20% reduction.

Table FED1: New Issuance of Business Finance Securitizations and ABCP from 2002 to 2010, Year to Date

Business Finance	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
CLO	30,388	22,584	32,192	69,441	171,906	138,827	27,489	2,033	N/A	494,860
Equipment Leases	4,180.00	5,528.00	1,971.00	3,893.00	3,144.00	540.00	665.00	2,892.00	748.00	23,561.00
# of Deals	18	14	5	8	7	2	2	4	2	62
Equipment Loans	2,882.00	3,493.00	4,318.00	5,137.00	5,260.00	5,526.00	2,349.00	4,348.00	4,262.00	37,575.00
# of Deals	4	5	6	6	5	8	4	7	8	53
Equipment Total	7,062.00	9,022.00	6,288.00	9,030.00	8,404.00	6,066.00	3,014.00	7,240.00	5,010.00	61,136.00
# of Deals	22	19	11	14	12	10	6	11	10	115
ABCP	N/A	8,633,591	7,746,457	9,300,311	12,811,588	17,546,734	16,183,104	8,474,867	N/A	80,696,652
# of Deals	N/A	412,712	362,711	414,032	531,447	614,039	485,249	270,301	N/A	3,090,491

Source: Board of Governors of the Federal Reserve System. Oct 2010 Report.

5.3 Relative Performance during the Crisis: Ratings Downgrades

Almost all financial asset classes suffered losses during the last recession. Due to a decreased demand for structured products and thus illiquidity problems, the mark-to-market losses for most ABS were large.

Also, there were fundamental problems in the underlying pools of the ABS. The defaults and charge-offs were a lot higher than the market expectations, especially in real estate-related ABS. There were other ABS categories, however, that did not suffer the same losses as the CMBS or RMBS. Thus, there were substantial differences in the performance of various asset class ABS during the 2008 crisis. To show the performance of the ABS, we use their ratings (assigned by the S&P). We use those ABS that were rated CCC+ or lower – which is considered to be "close to default". Normally, ABS are not rated CCC or lower at origination, so the ratings of CCC or lower are assigned to certain ABS after downgrading them. As the Table FED2 below indicates RMBS (both prime, and subprime) and CMBS had an enormous number of downgrades post-2008 period. The outliers here can be seen to be the Auto and Equipment ABS – there were no downgrades to default-level for these two classes. Thus, if ratings downgrades are used as gauges for performance of ABS, Equipment ABS outperformed all other classes and performed equally as well as the Auto ABS.

Table FED2: Percentage of Securities Rate CCC+ or Lower (Likely to Default) by Standard & Poor's as of January of the Year Indicated

Year	Prime RMBS	Alt-A and Subprime RMBS	CMBS	Credit Card	Auto Loans and Leases	Student Loans	Equipment
2006	0.2%	0.2%	1.8%	0.7%	0.0%	0.0%	0.0%
2007	0.2%	0.3%	1.8%	0.8%	0.0%	0.0%	0.0%
2008	0.2%	3.0%	2.0%	0.2%	0.0%	0.0%	0.0%
2009	3.6%	26.3%	4.9%	0.0%	0.0%	0.0%	0.0%
2010	28.3%	66.5%	16.0%	2.2%	0.0%	0.3%	0.0%

Source: Board of Governors of the Federal Reserve System. Oct 2010 Report.

5.4 Relative Performance during the Crisis: Spreads and Returns

In this section we will consider the spreads of various ABS over Treasuries or Swaps as performance measures. Rising spreads during the crisis was a sign of poor performance[7], which was comprised of elevated credit risk (delinquencies, charge-offs), liquidity risk, and risk premiums.

RMBS: ABX-HE 06-1

Here we study the performance of the highest and lowest tranches: the AAA and BBB- tranche Index prices of the ABX-HE 2006-1 Index, which is the index of the prices of credit default swaps written on Subprime MBS. The underlying securities in the index were issued in 2006.

Note: Normally spreads are used as performance measures in fixed income, but, due to steep declines in the Subprime MBS prices, it would be almost impossible to calculate the spreads. Thus, prices will

[7]Spreads are used as measures of relative performance (for example over Treasuries) because widening spreads indicate price deterioration relative to Treasury security prices. This is because the spreads are measured as differences in yields, and the yields and prices of most fixed income securities move in opposite directions.

be used to gauge the performance of Subprime MBS. We summarized the prices of the two tranches on various dates before and after the crisis in the table below

Table ABX1: Prices of five tranches of the ABX-HE 2006-1 Index on April 1 of the last six years and on the day where the prices were the lowest in the last six years.

Prices on	AAA	AA	A	BBB	BBB-
4/1/2006	100.31	100.5	100.25	101.08	101.72
4/1/2007	99.91	99.87	96.64	91.28	82.93
4/1/2008	89.89	70.81	41.03	18.19	15.63
4/1/2009	62.64	16.93	8.18	4.23	4.22
4/1/2010	86.3	37.29	13.43	4.65	4.74
4/1/2011	91.61	55.39	26.14	7.12	7.25
Min-Point-Date Prices	59.75	15.9	7.5	3.95	3.9
Date	3/16/2009	4/24/2009	4/30/2009	4/8/2009	4/8/2009

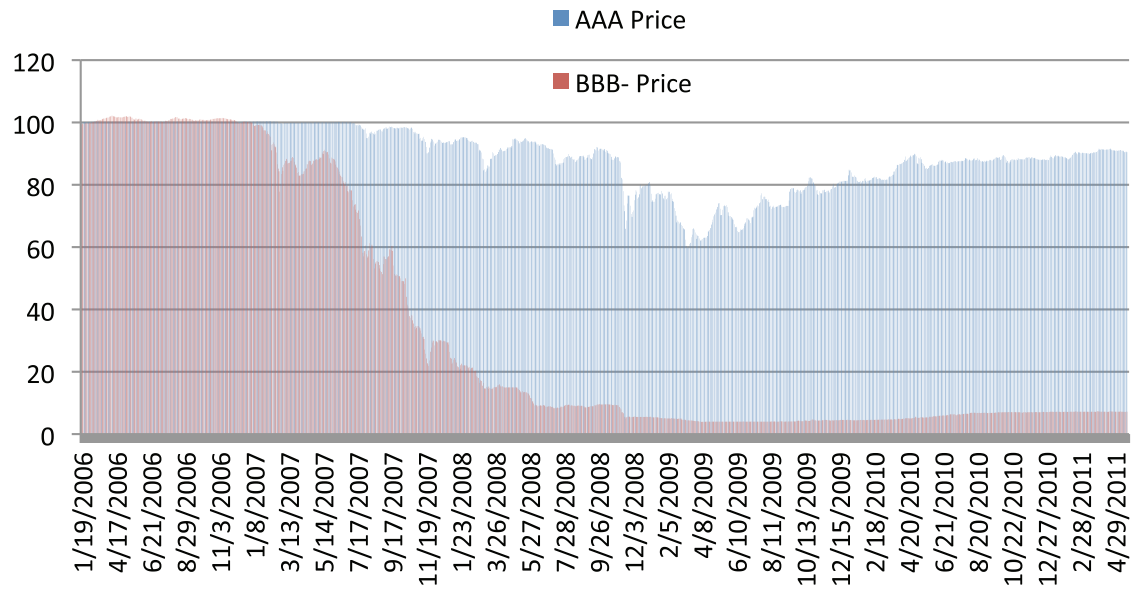
YoY Returns	AAA	AA	A	BBB	BBB-
4/1/2006					
4/1/2007	0%	-1%	-4%	-10%	-18%
4/1/2008	**-10%**	**-29%**	**-58%**	**-80%**	**-81%**
4/1/2009	**-30%**	**-76%**	**-80%**	**-77%**	**-73%**
4/1/2010	38%	120%	64%	10%	12%
4/1/2011	6%	49%	95%	53%	53%
Return from 4/1/2006 to the Min-Point-Date	**-40%**	**-84%**	**-93%**	**-96%**	**-96%**
Volatility	10.09%	29.15%	37.07%	39.81%	39.02%

Source: Barclay's Capital, Capital Market Analytics

The lowest rated tranches - the BBB- tranches – fell by 96% as of April 2009 from the April 1, 2006 date. The highest rated tranche fell by 40% for the period from April 1, 2006 until its lowest point. As the table shows, the performance of all tranches improved post-2009 period. Tranche A appreciated by 38% YoY on April 2010, while tranche AAA jumped up by 120%. Even the lowest-ranked tranche - the BBB- tranche – increased by 12% in the 4/2009 -4/2010 period and another 53% in the 4/2010 -4/2011 period. Volatility was higher on lower-rated tranches compared to investment-grade ones. The BBB- has almost 300% higher volatility than the AAA-rated tranche. The risk-adjusted performance, thus, would be significantly worse in BBB_ than in AAA.

The figure below shows the AAA and BBB- tranches of the ABX.HE 2006-1 Index, which is an index of the prices of credit default swaps written on subprime MBS. The underlying securities in the ABX.HE 2006-1 were issued in the first half of 2006.

Figure 11: AAA and BBB- tranches of ABX.HE 2006-1 Index



Source: Barclay's Capital, Capital Market Analytics

The BBB- rated index fell to near zero by mid-2008 and has remained around that level since then. The AAA index also declined dramatically, although the index has picked up a bit in recent months as investors have reconsidered the value of these securities due to narrower risk spreads and stabilizing home prices.

5.5 CMBS

Delinquency rates on commercial mortgages began to rise in late 2007, then accelerated in 2008 and in early 2009. The spreads widened significantly in 2008 and early 2009 to reach about 700 bps for AAA-rated CMBX Index, and more than 4000 bps for BBB-rated Index. The spreads narrowed some starting in the second half of 2009, but still are at elevated levels. The reason for such a run-up in spreads is the decline in the value of commercial real estate and the anticipation of even further decline. Spreads may be used to assess CMBS performance. An increase in spreads indicates deterioration in performance. As shown in the figure below, spreads on AAA- rated CMBS securities climbed sharply in 2008 and 2009 but have since partially fallen. Some of the rise and subsequent decline in spreads points to the effect of the liquidity crisis in 2008. However, the fact that spreads remain elevated, even in 2010, likely reflects problems with the underlying collateral.

5.6 Credit Cards

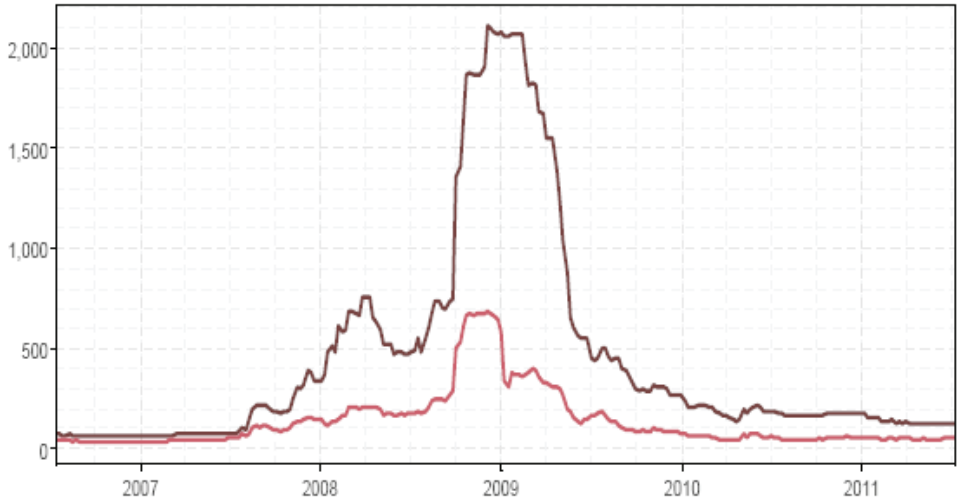
Credit card delinquency rates rose significantly in 2008 and 2009, reaching a 6.75% level in 2009. The charge-offs also increased dramatically. This performance deterioration can be mainly attributed to the rising unemployment. The spreads of AAA and BBB rated Credit Card ABS jumped up significantly during the crisis. The spreads over Treasuries were as high as 500bps and 2200bps respectively, in early 2009.

Figure 12: The spreads of CMBX.1 (2006) over Treasuries - AAA and BBB-rated Indexes.

Source: Barclay's Capital, Markit.

The Credit Card ABS performance, however, was better than many other ABS due to the addition of new subordinate tranches to the existing ones, increased overcollateralization, raised fees on existing accounts, and addition of higher-quality receivables to the master trust along with removal of poorly performing receivables from the trust. All of the above helped Credit Card ABS perform relatively well during the crisis of 2008.

Figure 13: Credit Card ABS. 3 Years, AAA and BBB-rated Indexes - Spreads over Treasuries.

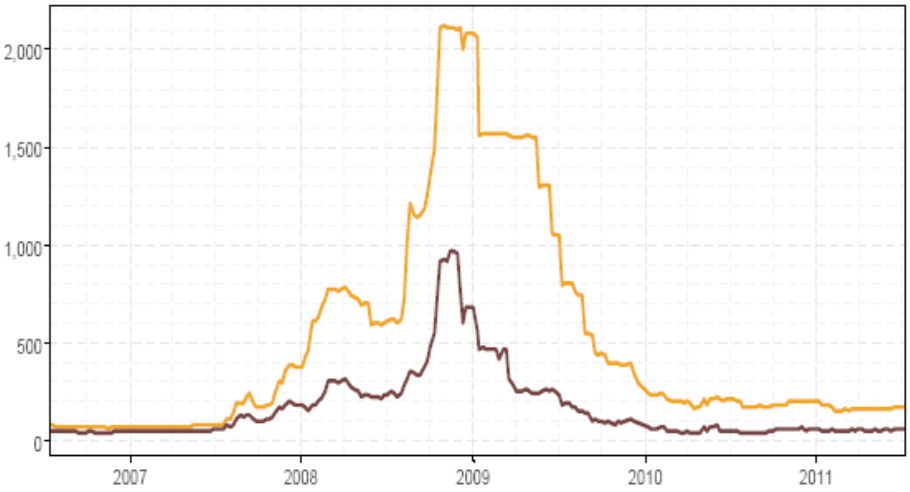


Source: Barclay's Capital, Markit.

5.7 Auto ABS

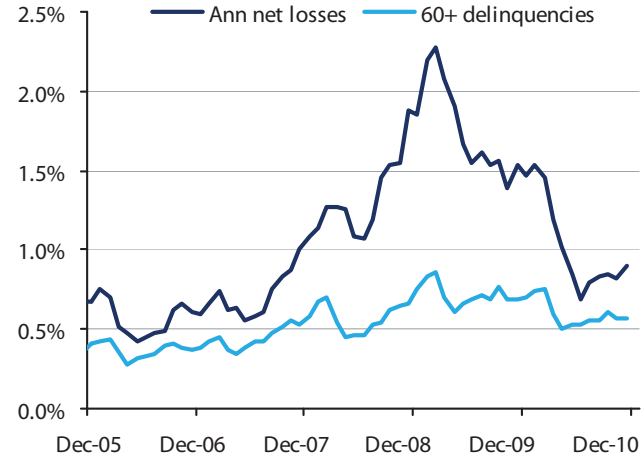
Auto loans are loans given to consumers for purchases of automobiles, light trucks and motorcycles. The loans are categorized as prime, non-prime, and subprime, depending on the creditworthiness of the borrower. These loans typically are short-term (up to 7 years) and are fixed rate loans. Auto leases are financing of the same items, but for a shorter periods – typically 4 years or less. The delinquencies in Auto ABS increased during the crisis but have declined considerably since then. The spreads of AAA and BBB rated Credit Card ABS jumped up significantly during the crisis. The spreads over Treasuries were as high as 900 bps and 2200 for AAA and BBB Indexes respectively, in late 2008.

Figure 14: AUTO ABS. 3 Years, AAA and BBB-rated Indexes, Spreads over Treasuries.



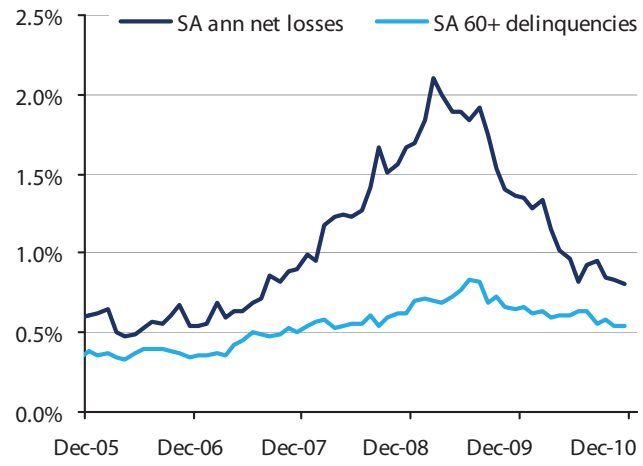
Source: Barclay's Capital, Markit.

Figure 15: Prime retail auto ABS collateral performance



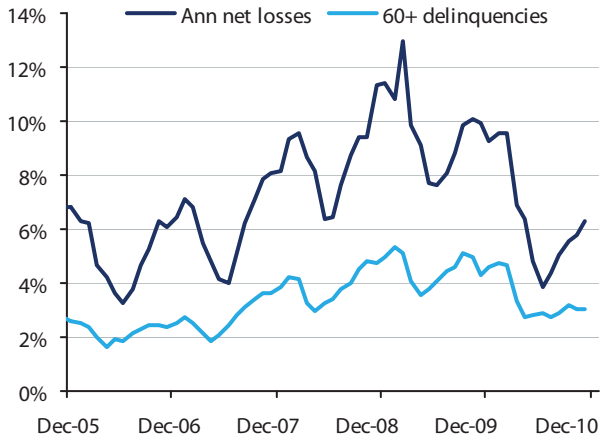
Source: Intex, Barclays Capital

Figure 16: Seasonally adjusted prime auto ABS performance



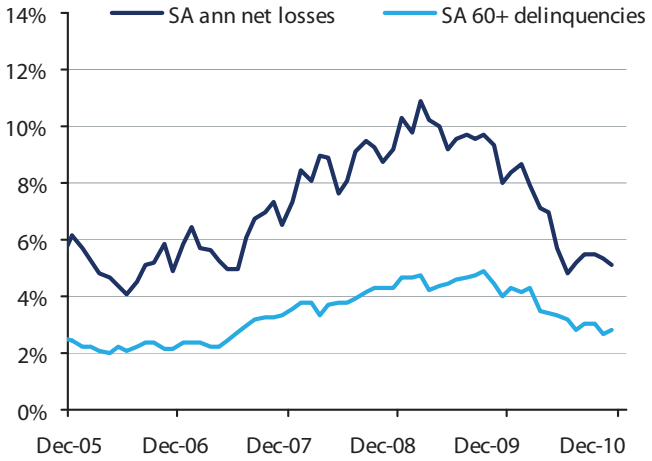
Source: Intex, Barclays Capital

Figure 17: Non-prime retail auto ABS collateral performance



Source: Intex, Barclays Capital

Figure 18: Seasonally adjusted non-prime performance



Source: Intex, Barclays Capital

The spreads increased for tranches of all ratings: the AAA-rated tranche spread was as high as 600 bps and the A-rated one had a spread of 1200 bps at the end of 2008. The spreads shrunk to their normal pre-crisis levels in early 2010.

Part of the successful performance of Auto ABS during the crisis is attributable to their structure. Auto ABS transactions often employ overcollateralization, fixed reserve account requirements. These result in increased levels of credit enhancement over the life of the deal.

During the recession, the performance of Auto ABS was somewhat weakened, but the level of the weakness was significantly less than what was experienced in some other asset types, such RMBS and CMBS.

5.8 Student Loan ABS

For student loan ABS collateralized by government-guaranteed loans, the presence of the government guarantee helped the performance. However, the structures themselves experienced some problems.

Student loans can have maturities as long as 30 years but are designed to perform as shorter-term notes. Such securities include variable-rate demand notes (VRDN), which have explicit liquidity support through a letter of credit provided by a financial institution; auction rate securities (ARS), which have implicit liquidity support from a broker–dealer. The VRDN and ARS faced extreme problems during the crisis and collapsed completely leaving some investors with a lot of losses and uncertainty of any recovery.

5.9 Auction-Rate Securities (ARS)

ARS entitle their owners to receive cash dividends at rates determined through a Dutch auction process that occurs periodically every 7, 14, or 28 days. Shareholders of ARS are normally able to redeem their shares in those auctions. In normal circumstances, the lead underwriter of the auction typically steps in to buy the remaining shares for which they were not able to find a buyer. Such an action by the lead underwriter has been expected and has regularly occurred for more than 20 years. Auctions rarely failed, as there were less than 50 failures in the last 20 years. Bank of America estimated in 2008 that the ARS market size was about $330 billion.

ARS trade at par and are callable at par on any interest payment date at the option of the issuer. Although ARS are issued and rated as long term bonds, they have been priced and traded as short term instruments because of the liquidity provided through the interest rate reset mechanism. Issuers of ARS include traditional issuers of tax-exempt debt such as municipalities, hospitals, utilities, housing finance agencies and student loan finance authorities.

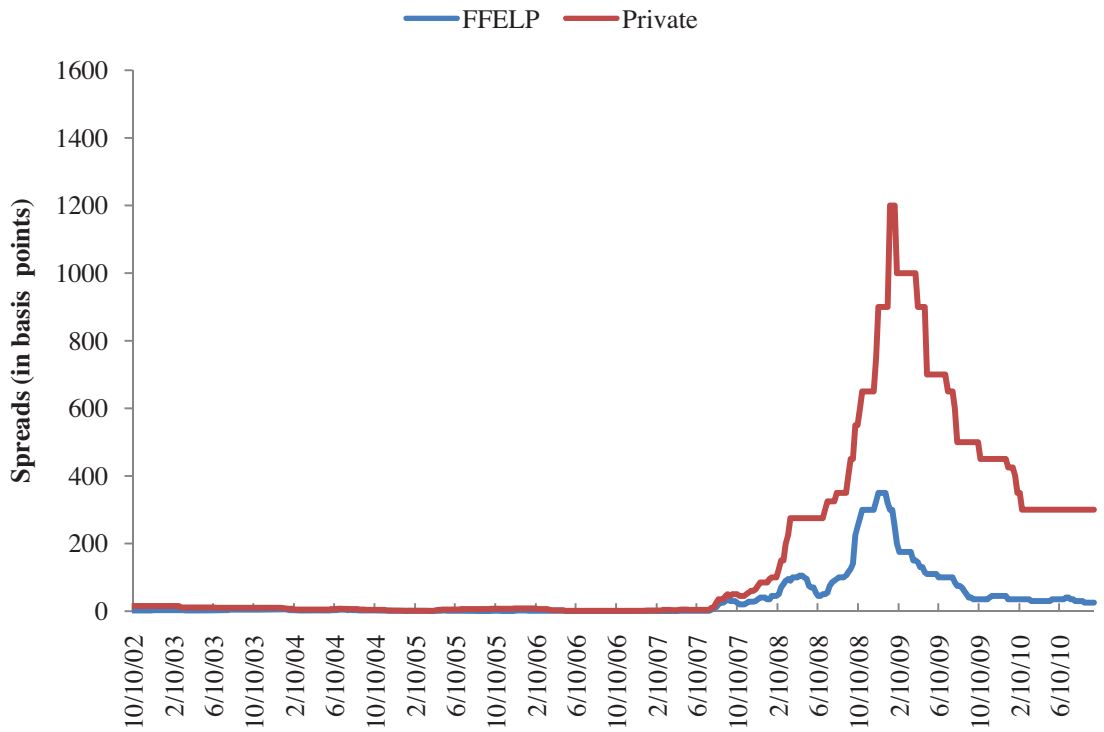
The auction market relies heavily on investor confidence. Once certain bonds become perceived as troubled, even presumably similar securities may see their auctions at risk of failing.

As the financial crisis intensified, most major dealers withdrew their support in early February 2008 and the auctions began to fail in large numbers. When auctions fail, the interest rates on the ABS are set to maximum “penalty rates”.

The performance of the Student Loan ABS collateralized by private student loans deteriorated beyond anyone’s expectations in 2008. Spreads on government-guaranteed student loan ABS rose in the financial crisis along with other fixed-income products, but have since returned to near pre-crisis levels. Spreads on private student loan ABS also shot up significantly, but, unlike the guaranteed loans, remain

significantly above pre-crisis levels. In large part this is because of ongoing concerns about the performance of private student loans during the recession.

Figure 19
Floating-Rate Spreads over 3-month Libor
for 3-Year FFELP and Private Student Loan Asset-Backed Securities Rated AAA

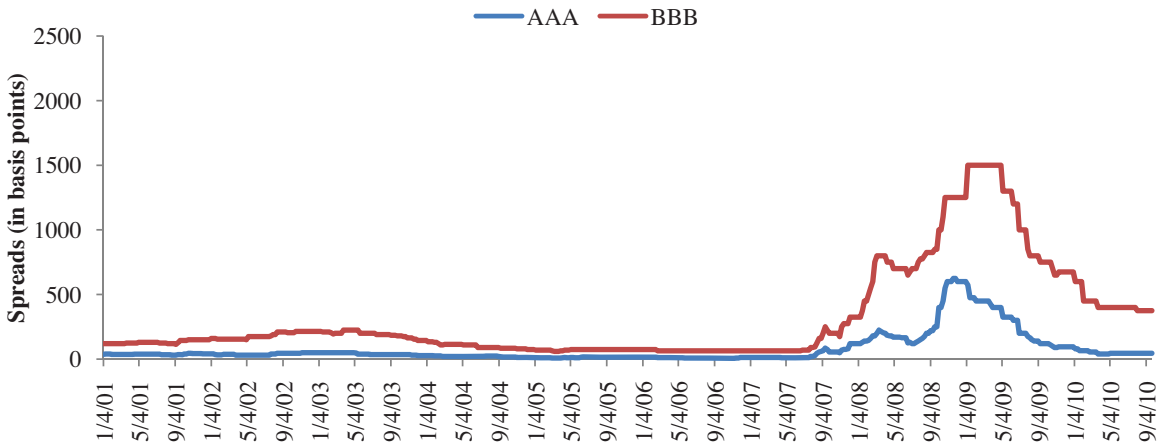


5.10 Equipment Loans and Leasing

Equipment loan and lease ABS (ELL-ABS) have demonstrated strong performance throughout the financial crisis. As with Auto ABS, one of the contributing factors for such performance is the short maturity of the underlying equipment loans. Because of the short maturities of the underlying loans and leases, the level of credit enhancement increases over the life of the ABS.

As was shown, among the ELL-ABS, those that had a lot of exposure to real estate had a much worse performance than the ABS collateralized by other types of equipment loans. Because of the steep declines in demand for construction equipment, the ABS with higher concentrations of construction equipment loans had performed more poorly.

Figure 20
Fixed-Rate Spreads over Swaps
for 3-Year Equipment Loan Asset-Backed Securities Rated AAA and BBB



Source: JPMorgan Chase.

As shown in Table FED3, a handful of equipment ABS classes have experienced downgrades, but most securities have had stable performance or even upgrades over time.

Table FED3: Percentage of Equipment ABS with Ratings Changes

Year	Total Number of Issues Rated at the Bef. of the Yr	Rating Change Direction	Rating Changes over the Year				
			AAA to/From IG	AAA to/from Speculative	IF to/from Speculative	IG to/from Likely to Default	Speculative to/from Likely to Deault
2006	141	Downgrades	0	0	0	0	0
		Upgrades	0	0	0	0	0
2007	175	Downgrades	0	0	0	0	0
		Upgrades	25.9	0	0	0	0
2008	135	Downgrades	1	0	0	0	0
		Upgrades	5.9	0	0	0	0
2009	85	Downgrades	0	0	3.6	0	0
		Upgrades	7.1	0	0	0	0
2010	61	Downgrades	0	0	0	0	100
		Upgrades	4.8	0	0	0	0

Source: Board of Governors of the Federal Reserve System. Oct 2010 Report.

Note: The raw dataset for this table is public data representing term transactions. It is taken from Standard & Poor's, which does not rate all issues in a particular asset class. Therefore, the table may only represent a subsample of the market. Securities backed by collateral that combine multiple types of assets are not included. Including these securities does not materially change the estimates.

5.11 Performance of Other Asset Classes

This section provides a brief overview of the performance other asset classes including stocks, bonds and real estate.

Stocks

Table AC-STOCK1 displays the performance of 49 industry portfolios as constructed by Kenneth French, a prominent financial researcher at Dartmouth University. At the end of each year, every NYSE, AMEX and NASDAQ stock is assigned to an industry portfolio based on its four-digit SIC code as defined by Compustat and CRSP. Value weighted returns are then computed each month. These monthly returns are then summed from January to December of each year to provide a cumulative annual return.

Table AC-STOCK1: Performance of 49 Industry Portfolios

Year	2006	2007	2008	2009	2010
Agric	22.81	73.3	-42.63	20.94	-8.63
Food	17.65	4.68	-17.75	18.65	14.82
Soda	12.81	28.12	-49.28	53.29	36.71
Beer	14.21	22.05	-16.16	20.73	16
Smoke	21.7	17.13	-21.21	24.08	27.95
Toys	21.53	-22.71	-32.21	30.03	31.74
Fun	32.44	5.81	-105.01	60.93	63.77
Books	9.29	-24.7	-84.87	52.39	14
Hshld	15.33	10.55	-20.68	14.33	11.75
Clths	21.88	-10.76	-35.01	46.92	34.65
Hlth	5.68	2.64	-38.57	33.16	13.03
MedEq	3.97	10.49	-35.48	29.37	7.73
Drugs	9.13	2.98	-12.68	18.63	4.99
Chems	15.49	26.54	-56.93	54.58	35.11
Rubbr	30.02	-7.16	-39.49	39.6	27.15
Txtls	4.49	10.7	-54.72	67.04	23.15
BldMt	11.16	-3.55	-50.13	36.74	30.63
Cnstr	-5.35	-7.02	-47.9	13.88	18.2
Steel	40.68	30.18	-73.98	39.97	13.47
FabPr	27.23	7.28	-48.85	39.17	50.41
Mach	15.25	28.06	-61.4	47.22	41.29
ElcEq	18.05	23.83	-47.01	32.22	35.88
Autos	17.55	5.62	-87.36	83.87	53.95
Aero	21.02	20.35	-52.44	35.83	24.63
Ships	25.77	10.34	-34.85	27.67	16.57
Guns	35.75	16.58	-17.6	1	-2.4
Gold	-0.91	12.08	-13.23	29.86	38.99
Mines	31.95	57.59	-63.32	73.02	47.17
Coal	-5.53	61.72	-66.17	87.05	36.16
Oil	22.37	28.65	-34.76	14.25	19.79
Util	19.61	17.99	-31.32	15.3	8.66
Telcm	31.94	-0.93	-38.62	24.87	25.16
PerSv	1.7	9.46	-19.87	13.02	-1.19
BusSv	12.89	0.58	-41.49	29.67	17.47

Hardw	23.25	20.53	-54.68	58.27	19.7
Softw	10.58	17.83	-46.11	48.92	15.4
Chips	-1.57	10.09	-51.6	44.09	15.25
LabEq	14.94	17.83	-49	38.5	32.87
Paper	9.34	5.15	-50.29	49.96	15.36
Boxes	16.78	27	-28.13	32.83	18.54
Trans	11.58	0.76	-24.37	28.12	28.79
Whlsl	13.61	2.3	-39.22	37.76	20.94
Rtail	8.2	-5.79	-20.82	28.02	17.98
Meals	22.25	1.6	-17.48	22.27	34.18
Banks	15.97	-27.01	-53.47	17.69	11.05
Insur	7.51	-1.53	-60.76	20.42	18.94
RlEst	9.64	-21.59	-86.05	80.68	29.73
Fin	31.13	-2.34	-81.41	47.4	9.35
Other	15.22	9.83	-55.23	9.93	21.35

Source: http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

As shown in Table AC-STOCK1 above, the equity market performance deteriorated in 2008 as all 49 industries suffered major losses. The top performing industries were drug manufacturers and gold mining companies, losing 12.7% and 13.2% respectively in 2008. The average loss (for the 49 industries) was astonishing 45%. The worst performing industries had huge losses: more than 85% in 2008.

Table AC-STOCK2 shows the six Fama-French portfolios formed on Size and the Book-to-Market ratio. Again, the portfolios are constructed at the end of June in each year. The information provided in the table consists of three portfolios formed on the book-to-market ratio (measured by book value of equity divided by market value of equity or BE/ME) and two portfolios formed on size (measured by market value of equity or ME). The size breakpoint for each year is the median NYSE market value of equity at the end of June in each year. The BE/ME breakpoints are the 30th and 70th NYSE percentiles.

Table AC-STOCK2: 6 Size x BE/ME Portfolios

	Small			Big		
Year	**Low**	**Medium**	**High**	**Low**	**Medium**	**High**
2006	9.69	20.99	21.63	9.3	18.35	21.64
2007	5.51	-1.94	-10.95	11.28	2.23	3.75
2008	**-43.99**	**-33.51**	**-33.35**	**-38.4**	**-50.13**	**-44.74**
2009	33.47	31.88	36.76	29.71	23.02	26.45
2010	29.26	28.89	29.26	16.29	20.81	12.05
2011	11.02	7.82	7.15	7.85	9.21	4.48

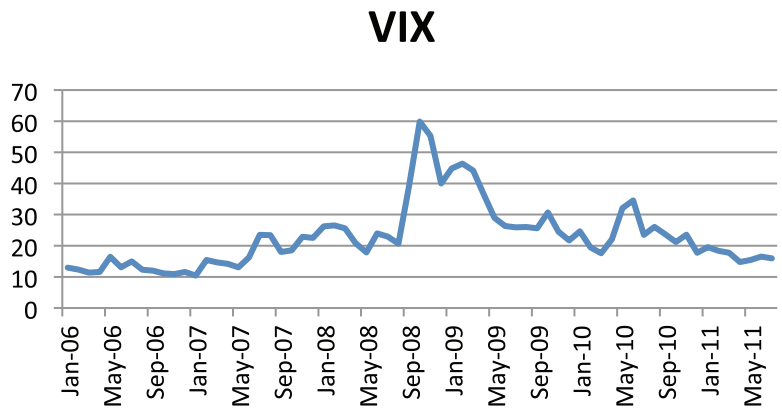
Source: http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

As expected, the small capitalization companies had higher losses during the crisis year (2008) than the large caps and the high growth companies suffered more losses than the value companies. This justifies the perception that Size and Book Value/Market Value are risk-measures in the equity markets.

Volatility

To measure risk inherent in the stock market, we track the Chicago Board Options Exchange Market Volatility Index (VIX). Figure 21 shows the monthly values for the VIX between January 2006 and June

Figure 21: Monthly Volatility Index (VIX) from 1/1/2006 to 7/1/2011



Source: Yahoo! Finance

2011. This index measures the implied volatility of S&P 500 index options and is often used as a representation of the market's expectation of stock market volatility over the next month.
This measure is also used as a measure of fear in the markets. Its intraday high crossed 90 in end of 2008 – a level not ever seen before. The reason for such a "fearful" implication is that the market participants were paying high premiums to buy protection for their equity portfolios. That premium is measured by the implied volatility of put options on the S&P500 which is captured by the VIX index. The historical average of this index is about 16%. The VIX is typically higher during downside moves in the market and is smaller during booms. This index is often used as a hedging instrument for the equity markets.

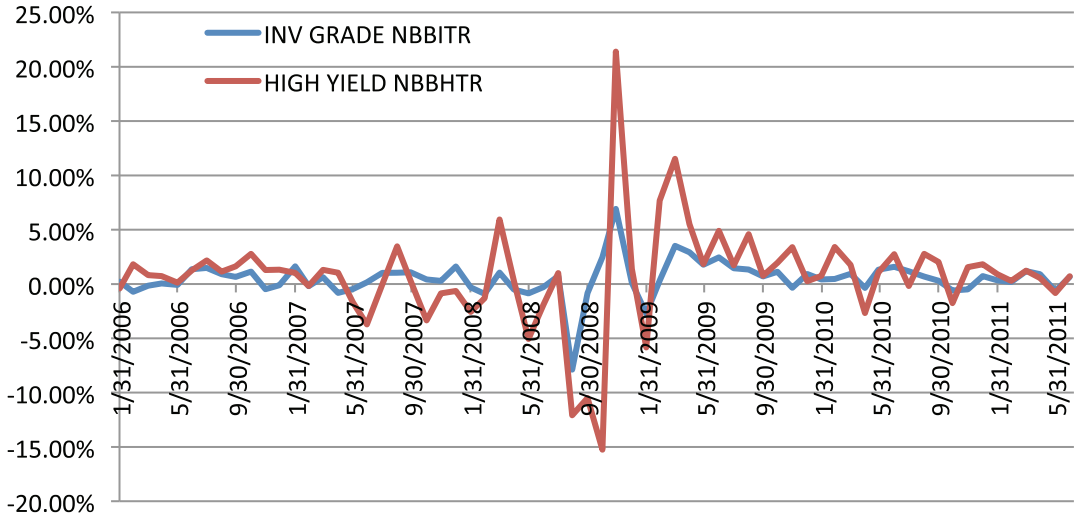
Bonds

To track bond performance, we identify two indices from the Financial Industry Regulatory Authority (FINRA) and Bloomberg.

1. FINRA/Bloomberg High Yield U.S. Corporate Bond Index (NBBHTR)
2. FINRA/Bloomberg Investment Grade U.S. Corporate Bond Index (NBBITR)

Both of these indices are comprised of the most frequently traded fixed coupon bonds according to FINRA TRACE. As shown in Figure 22 below, the monthly return on these indices became extremely volatile around the financial crisis of late 2008. High yield corporate bonds experienced their largest monthly loss in October of 2008 (-15.26%), but also experienced their largest gain in the following month of November 2008 (21.39%). Investment grade bonds experienced similar volatility during this time period, but the range was much smaller. Investment grade bonds experienced their largest loss a few months earlier in August 2008 (-7.88%) and recovered much quicker. These bonds also saw their largest gain in November 2008 (6.92%).

Figure 22: FINRA/Bloomberg Investment Grade vs. High Yield U.S. Corporate Bond Index



Source: Bloomberg

While it appears that October and November of 2008 were by far the most volatile months for corporate bonds, Table AC-BOND shows that the average monthly return for corporate bonds fell from the fiscal year 4/1/2008-3/31/2009, where both investment grade and high yield bonds saw negative average monthly returns. However, the performance quickly recovered as both classes recognized positive average monthly returns from 4/1/2009-3/31/2010.

Table AC-BOND: Average Monthly Return on Investment Grade and High Yield Bonds

Time Period	Investment Grade Average Monthly Return	High Yield Average Monthly Return
4/1/2007-3/31/2008	0.31%	-0.67%
4/1/2008-3/31/2009	-0.12%	-1.08%
4/1/2009-3/31/2010	1.40%	3.38%

Source: Bloomberg

As shown in figure 23, corporate bonds, just like every other security, had a significant reaction to the crisis. The AAA-rated Corp. Bond Index saw a widening of its spread over Treasuries starting in 2008. That spread reached its peak in 2008 – about 400bps. The picture is the same for bonds of other ratings except it was much more intense. The CCC rated index saw more dramatic widening of the spread: it reached about 2400 bps in early 2009 due to concerns of widespread corporate bond default probabilities.

Figure 23: The Spreads of Corp. Bonds over Treasuries, ALL Sectors, 5 Years, AAA and CCC-rated.

Source: Barclay's Capital, Markit.

The trend of U.S. Treasury bonds of various maturities (2 year, 5 year and 10 year) between 2006 and 2011 is shown below.

Table AC-TREASURY: Annualized rates of return on two-year, five-year and ten-year Treasury Bonds

Year	Two Year Treasury	Five Year Treasury	Ten Year Treasury
2006	4.82	4.75	4.79
2007	4.36	4.43	4.63
2008	**2.00**	**2.80**	**3.67**
2009	**0.96**	**2.19**	**3.26**
2010	0.70	1.93	3.21
2011	0.67	2.07	3.40

Source: Federal Reserve (http://research.stlouisfed.org/fred2/categories/115)

As can be seen, and as expected, the yields on US Treasury securities dropped to their historical low levels during the crisis because of the investors' flight to quality – many rushed to buy safe treasuries and raised prices, thus lowering the yields. In addition, the Federal Reserve had reduced its benchmark rate – the Federal Funds Target Rate – to almost 0% to stimulate the economy. Also, the two Quantitative Easing Programs (QE1 and QE2) were intended to keep the rates of all maturities low, and stimulate the economy.

Real Estate

To track the performance of the real estate market, we display the S&P/Case-Shiller Home Price Index for 20 metropolitan regions. This index is one of the leading measures for the U.S. residential housing market and tracks changes in the value of residential real estate. The data is shown in Table AC-RE below.

Table AC-RE: Case-Shiller Index of 20 Metro Areas – USA

Year	Case-Shiller
2006	204.85
2007	196.97
2008	165.92
2009	143.86
2010	145.64
2011	139.17

Source: Federal Reserve (http://research.stlouisfed.org/fred2/series/SPCS20RNSA)

In aggregate, the prices of homes fell 15.8% in 2008, followed by another large drop of 13.3% in 2009. The performance of this asset class was actually worse than most asset classes as it was the epicenter of the last crisis. Due to its illiquidity, the prices changes in the real estate market are not as rapid as in other, more liquid, markets. Even though most other asset classes recovered in the post-crisis period, the real estate prices are still declining as of mid-2011.

6. CONCLUSIONS

The data used in this study are term transactions. We are not aware of any case in which conduits were used. The findings are based on a sample of transactions and are not representative of all transactions. For instance, there may be small-ticket issuers that outperform not only other small-ticket, but also some similar medium or large-ticket issues.

Our study of the performance of Equipment Lease and Loan-Backed Securities (ELL-ABS) during the crisis in 2008 reveals some interesting results. Compared with other asset classes, the Equipment Lease ABS performed well and one can argue that it outperformed the other classes. The Equipment Lease ABS had an ROE of 11% and 5.2% in 2008 and 2009 respectively, whereas almost all other asset classes suffered big losses during the same period. The spreads over U.S. Treasuries remained elevated during the crisis, but not as high as those for Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Student Loan-Backed Securities, Auto Loan-Backed Securities, or Corporate Bonds.

The Cumulative Net Losses (CNL) were contained on average to 2.5% for the Equipment ABS, whereas the CNL was 3.7% for AAA-rated Auto ABS and 5.4% for AAA-rated Credit Card ABS during the crisis.

We also analyzed 49 Equity Industries, various style and size equity portfolios, High Yield and Investment Grade Bonds, and Real Estate, and compared them to Equipment Lease ABS. The only asset class that has performed better than the ELL-ABS is the U.S. Treasury market, which was due to the extremely

high demand for safe U.S. Treasury securities and a flight to quality during the crisis. We also noted that Auto ABS performed relatively well during the crisis, due to its unique structure, which is similar to Equipment Lease ABS as well. We documented the non-existent prepayment risk, relatively short durations, low delinquency rates, low net losses and charge-offs for the Equipment Lease ABS as primary explanations for experiencing the good performance during bad times.

Similar to what is being experienced by other finance sectors, the equipment lease financing industry faces a challenging short term environment due to economic, political and emerging federal government regulatory factors. However, when considering a longer term perspective, the equipment lease financing industry appears to be in a better position than many other finance sectors. This should allow the industry to be in a position to obtain a larger market share when the economy does begin to recover, provided that there are no unprecedented legislative or regulatory barriers.

Our findings indicate that the use of equipment lease and loan securitization as a source of funding is well justified.

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Yahoo! Finance (http://finance.yahoo.com)

Table CONFIDENTIAL1: CONFIDENTIAL Static Pool Information on Cumulative Prepayment. Data as of Jan 2011

Month	CONF 2006	CONF 2007	CONF 2008	CONF 2009	CONF 2009-B	CONF 2010
1	10.16	23.68	39.77	29.40	32.89	22.58
2	12.71	19.46	30.06	23.57	21.61	16.69
3	11.69	17.47	25.67	18.92	18.81	15.10
4	11.00	18.05	26.27	15.50	25.64	16.05
5	12.44	18.31	24.57	16.74	25.61	15.88
6	11.93	17.05	25.07	14.94	25.41	15.70
7	11.14	18.52	25.13	15.92	26.10	17.68
8	14.46	17.90	24.09	18.32	24.40	16.59
9	15.77	17.58	22.54	18.11	23.19	15.97
10	16.37	20.06	24.02	18.79	23.57	18.77
11	18.82	20.96	24.23	19.96	22.85	
12	18.64	22.23	23.87	19.78	22.47	
13	18.36	23.72	24.86	19.38	23.45	
14	18.61	23.78	24.02	19.92	22.43	
15	18.44	23.33	23.76	19.60	21.91	
16	18.00	23.43	23.87	19.31	22.86	
17	18.20	22.91	23.52	20.40		
18	17.97	23.31	23.04	20.02		
19	17.63	23.86	23.47	20.00		
20	18.16	23.49	23.04	20.76		
21	18.51	22.93	23.20			
22	18.79	23.58	24.07			
23	19.73	23.61	24.15			
24	19.90	24.07	23.96			
25	19.95	24.28	24.40			
26	20.06	24.18	24.11			
27	19.85	24.11	23.72			
28	20.25	24.17	23.86			
29	20.37	23.74	23.68			
30	20.20	23.33	23.12			
31	19.85	23.78	23.71			
32	20.19	23.66	23.53			
33	20.59	24.08	23.54			
34	20.49	24.56	24.19			
35	21.20	24.59				
36	20.98	24.72				
37	21.21	25.06				
38	21.51	25.11				
39	21.30	24.83				
40	21.07	24.95				
41	21.43	24.67				
42	21.30	24.20				
43	21.52					
44	21.74					
45	21.87					
46	21.64					
47	22.04					

Source: CONFIDENTIAL Company's Finance Department.

Note: The formula for calculating the percentages above is the percentage equivalent of 1 minus an amount equal to a fraction with the numerator equal to the actual note value at the end of such month and the denominator equal to the scheduled note value at the end of such month calculated using the initial cash flows at the cut-off date, raised to the power of a fraction with a numerator equal to 12 and a denominator equal to the number of collection periods elapsed since the cut-off date to the end of such month.

Table CONFIDENTIAL2: Static Pool Info on Delinquency Data 60+ Days: Remaining Scheduled Payment as % of Ending Pool Balance

Mo.	92-A	93-A	93-B	94-A	95-A	99-A	01	03	04	05	06	07	08	09	09-B	2010	2011
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.01	0.00	0.37	0.33	0.27	0.04
2	0.15	0.23	0.09	0.07	0.31	0.05	0.05	0.07	0.04	0.42	0.31	0.65	0.59	0.95	0.81	0.63	0.00
3	0.29	0.23	0.17	0.15	0.32	0.07	0.11	0.09	0.09	0.79	0.54	1.28	0.98	1.30	1.18	0.80	0.00
4	0.43	0.18	0.26	0.23	0.21	0.10	0.15	0.11	0.11	0.89	0.96	1.57	0.97	1.42	2.28	1.31	0.00
5	0.59	0.18	0.32	0.29	0.22	0.12	0.22	0.14	0.09	0.97	0.86	1.86	1.08	1.59	1.72	1.48	0.00
6	1.16	0.25	0.47	0.52	0.26	0.12	0.20	0.17	0.10	1.09	1.40	2.08	1.39	2.03	2.11	1.41	0.00
7	1.39	0.19	0.48	0.57	0.26	0.16	0.19	0.18	0.10	1.18	1.89	2.31	1.48	2.21	2.74	1.51	0.00
8	1.04	0.33	0.41	0.41	0.32	0.22	0.27	0.22	0.12	1.14	2.28	3.39	1.65	3.02	2.78	1.50	0.00
9	1.29	0.47	0.52	0.60	0.46	0.26	0.33	0.25	0.13	1.31	2.60	3.92	2.48	2.61	2.04	1.50	0.00
10	1.08	0.44	0.45	0.56	0.56	0.40	0.29	0.23	0.17	1.39	2.57	4.26	2.86	3.03	3.26	1.72	0.00
11	0.79	0.77	0.32	0.44	0.92	0.45	0.37	0.25	0.20	1.53	2.39	4.50	2.69	4.13	2.98	1.75	0.00
12	0.66	0.71	0.37	0.37	1.00	0.35	0.38	0.24	0.20	1.34	3.00	4.47	2.93	3.98	1.91	1.65	0.00
13	0.63	0.46	0.32	0.41	0.81	0.33	0.38	0.22	0.17	1.34	3.44	3.79	2.87	3.28	2.55	1.72	0.00
14	0.64	0.66	0.27	0.51	1.24	0.33	0.46	0.28	0.17	1.66	3.47	3.83	3.00	3.24	1.95	0.00	0.00
15	0.73	0.49	0.39	0.51	1.23	0.35	0.52	0.30	0.24	1.48	3.30	3.84	3.64	3.44	2.39	0.00	0.00
16	0.83	0.34	0.53	0.62	1.01	0.39	0.66	0.23	0.19	1.67	3.19	3.71	3.87	3.15	3.25	0.00	0.00
17	0.98	0.33	0.70	0.74	0.91	0.40	0.81	0.29	0.22	2.24	3.09	4.47	4.33	3.51	2.70	0.00	0.00
18	1.55	0.38	0.99	1.24	0.98	0.38	0.78	0.35	0.20	2.09	3.76	4.08	4.54	3.05	2.55	0.00	0.00
19	1.81	0.35	1.06	1.48	0.89	0.48	0.79	0.38	0.18	2.13	3.81	4.12	4.59	3.03	2.80	0.00	0.00
20	1.31	0.56	0.82	1.57	0.97	0.49	0.85	0.43	0.19	2.41	3.68	4.54	4.89	3.37	0.00	0.00	0.00
21	1.73	0.73	0.97	1.98	1.13	0.70	0.92	0.47	0.24	2.58	4.27	5.54	5.00	3.02	0.00	0.00	0.00
22	1.40	0.86	1.02	1.83	1.36	0.89	0.90	0.37	0.30	2.95	4.65	5.77	6.21	3.29	0.00	0.00	0.00
23	0.94	1.39	0.78	1.51	1.93	1.12	1.00	0.38	0.38	3.14	4.01	6.03	5.43	3.28	0.00	0.00	0.00
24	0.89	1.75	0.88	1.37	2.10	1.04	1.05	0.42	0.38	2.96	4.23	6.61	5.13	0.00	0.00	0.00	0.00
25	0.90	1.24	0.84	1.56	1.72	0.96	0.84	0.35	0.35	2.98	5.24	6.22	5.28	0.00	0.00	0.00	0.00
26	0.85	1.36	0.84	1.47	2.08	0.92	0.88	0.42	0.35	3.29	4.52	5.69	4.93	0.00	0.00	0.00	0.00
27	1.17	1.12	0.97	1.51	1.95	0.78	1.02	0.45	0.46	3.48	4.77	5.97	4.34	0.00	0.00	0.00	0.00
28	1.48	0.91	1.31	1.51	1.53	0.73	1.08	0.45	0.42	3.44	4.11	5.53	5.07	0.00	0.00	0.00	0.00
29	1.88	0.94	1.74	1.66	1.43	0.73	1.11	0.56	0.41	3.30	3.72	6.31	5.16	0.00	0.00	0.00	0.00
30	2.71	1.14	2.54	2.52	1.36	0.70	1.10	0.68	0.41	3.24	4.45	7.05	4.72	0.00	0.00	0.00	0.00
31	3.71	1.22	2.75	2.98	1.29	0.80	1.12	0.80	0.40	3.40	5.54	6.34	5.00	0.00	0.00	0.00	0.00
32	3.30	1.41	2.65	2.77	1.59	0.87	1.33	0.95	0.46	3.72	5.80	7.29	4.47	0.00	0.00	0.00	0.00
33	3.65	1.62	3.01	3.03	1.95	1.03	1.38	0.87	0.50	3.81	6.31	5.26	5.06	0.00	0.00	0.00	0.00
34	0.00	2.18	2.88	3.05	2.54	1.47	1.58	0.80	0.64	3.89	6.66	7.27	6.43	0.00	0.00	0.00	0.00
35	0.00	6.00	2.69	2.44	3.54	1.84	1.84	0.85	0.92	4.16	6.28	6.85	5.09	0.00	0.00	0.00	0.00
36	0.00	5.04	2.86	2.54	4.25	1.75	2.13	1.00	1.07	3.60	6.80	7.20	4.88	0.00	0.00	0.00	0.00
37	0.00	0.00	2.94	2.56	4.02	1.73	1.92	1.01	1.01	3.85	7.06	7.29	4.22	0.00	0.00	0.00	0.00
38	0.00	0.00	2.71	2.57	4.60	1.71	2.10	1.13	0.90	4.21	6.70	6.57	0.00	0.00	0.00	0.00	0.00
39	0.00	0.00	2.51	2.95	3.62	1.84	0.00	1.03	1.12	3.53	6.17	5.45	0.00	0.00	0.00	0.00	0.00
40	0.00	0.00	2.94	3.39	3.10	1.94	0.00	1.09	1.08	3.46	6.42	5.66	0.00	0.00	0.00	0.00	0.00
41	0.00	0.00	3.75	3.83	3.07	2.04	0.00	1.22	1.13	2.65	5.45	5.76	0.00	0.00	0.00	0.00	0.00
42	0.00	0.00	5.36	5.52	3.08	0.00	0.00	1.48	1.15	2.22	5.96	4.96	0.00	0.00	0.00	0.00	0.00
43	0.00	0.00	0.00	6.66	3.14	0.00	0.00	0.00	1.11	2.65	4.44	0.00	0.00	0.00	0.00	0.00	0.00
44	0.00	0.00	0.00	7.01	3.97	0.00	0.00	0.00	1.22	3.37	5.40	0.00	0.00	0.00	0.00	0.00	0.00
45	0.00	0.00	0.00	6.89	4.66	0.00	0.00	0.00	1.44	3.58	5.04	0.00	0.00	0.00	0.00	0.00	0.00
46	0.00	0.00	0.00	6.48	6.53	0.00	0.00	0.00	0.00	3.99	5.31	0.00	0.00	0.00	0.00	0.00	0.00
47	0.00	0.00	0.00	6.86	9.33	0.00	0.00	0.00	0.00	4.57	6.44	0.00	0.00	0.00	0.00	0.00	0.00
48	0.00	0.00	0.00	6.10	11.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: CONFIDENTIAL Company's Finance Department.

Note: This table lists the actual delinquency numbers for the deals (previously, it listed 3 month averages)

Table CONFIDENTIAL3: Static Pool Information for **Cumulative Net Losses** as of May 2011.

Mo	92-A	93-A	93-B	94-A	95-A	99-A	01	03	04	05	06	07	08	09	09-B	2010	2011
1	0.00	0.00	0.00	0.00	0.00	(0.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.02	0.01	0.00	0.00
4	0.01	0.00	0.00	0.01	0.01	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.05	0.04	0.00	0.00
5	0.01	0.00	0.01	0.01	0.02	0.03	0.00	0.00	0.00	0.01	0.01	0.03	0.04	0.07	0.08	0.01	0.00
6	0.01	0.00	0.01	0.01	0.02	0.04	0.02	0.00	0.00	0.01	0.01	0.05	0.07	0.12	0.09	0.02	0.00
7	0.03	0.01	0.01	0.01	0.03	0.04	0.03	0.01	0.00	0.02	0.03	0.08	0.09	0.17	0.13	0.07	0.00
8	0.07	0.02	0.02	0.02	0.03	0.07	0.04	0.01	0.01	0.03	0.04	0.12	0.12	0.22	0.15	0.09	0.00
9	0.08	0.02	0.03	0.02	0.04	0.08	0.05	0.03	0.01	0.05	0.06	0.14	0.16	0.27	0.16	0.12	0.00
10	0.09	0.04	0.03	0.03	0.06	0.10	0.07	0.04	0.01	0.07	0.13	0.18	0.17	0.29	0.19	0.12	0.00
11	0.11	0.04	0.04	0.04	0.07	0.10	0.09	0.04	0.02	0.07	0.15	0.25	0.23	0.33	0.19	0.11	0.00
12	0.12	0.05	0.04	0.04	0.08	0.14	0.10	0.04	0.02	0.08	0.20	0.35	0.28	0.37	0.18	0.13	0.00
13	0.14	0.05	0.05	0.05	0.08	0.18	0.14	0.05	0.03	0.10	0.21	0.42	0.36	0.40	0.20	0.13	0.00
14	0.14	0.06	0.06	0.06	0.09	0.20	0.15	0.06	0.03	0.10	0.23	0.48	0.37	0.46	0.21	0.00	0.00
15	0.15	0.07	0.06	0.06	0.09	0.20	0.19	0.06	0.04	0.12	0.25	0.52	0.43	0.49	0.21	0.00	0.00
16	0.15	0.06	0.07	0.07	0.12	0.24	0.20	0.06	0.04	0.14	0.28	0.53	0.48	0.47	0.27	0.00	0.00
17	0.17	0.06	0.08	0.08	0.13	0.28	0.24	0.07	0.04	0.15	0.30	0.56	0.49	0.48	0.26	0.00	0.00
18	0.18	0.06	0.09	0.08	0.14	0.30	0.27	0.08	0.05	0.13	0.32	0.62	0.60	0.48	0.25	0.00	0.00
19	0.18	0.07	0.09	0.11	0.15	0.31	0.30	0.09	0.06	0.14	0.34	0.66	0.66	0.47	0.27	0.00	0.00
20	0.18	0.07	0.10	0.12	0.16	0.34	0.34	0.09	0.07	0.16	0.36	0.71	0.69	0.50	0.00	0.00	0.00
21	0.19	0.07	0.10	0.13	0.17	0.37	0.37	0.10	0.08	0.16	0.39	0.74	0.67	0.51	0.00	0.00	0.00
22	0.20	0.07	0.11	0.14	0.17	0.39	0.37	0.11	0.08	0.17	0.42	0.81	0.76	0.49	0.00	0.00	0.00
23	0.20	0.07	0.14	0.14	0.17	0.41	0.40	0.11	0.09	0.18	0.45	0.90	0.79	0.51	0.00	0.00	0.00
24	0.20	0.07	0.14	0.14	0.21	0.43	0.42	0.12	0.09	0.19	0.48	0.94	0.78	0.00	0.00	0.00	0.00
25	0.21	0.07	0.14	0.16	0.22	0.44	0.43	0.12	0.09	0.19	0.51	1.00	0.77	0.00	0.00	0.00	0.00
26	0.22	0.08	0.15	0.17	0.23	0.45	0.45	0.12	0.10	0.20	0.55	1.06	0.79	0.00	0.00	0.00	0.00
27	0.22	0.08	0.16	0.17	0.25	0.46	0.46	0.12	0.10	0.22	0.58	1.10	0.79	0.00	0.00	0.00	0.00
28	0.22	0.08	0.16	0.18	0.26	0.49	0.47	0.13	0.10	0.24	0.62	1.12	0.80	0.00	0.00	0.00	0.00
29	0.22	0.08	0.16	0.19	0.27	0.50	0.48	0.14	0.10	0.25	0.66	1.15	0.81	0.00	0.00	0.00	0.00
30	0.23	0.08	0.16	0.20	0.28	0.51	0.49	0.14	0.11	0.26	0.68	1.19	0.80	0.00	0.00	0.00	0.00
31	0.23	0.08	0.16	0.21	0.29	0.54	0.52	0.14	0.11	0.26	0.70	1.26	0.81	0.00	0.00	0.00	0.00
32	0.23	0.08	0.17	0.22	0.29	0.57	0.52	0.14	0.11	0.28	0.76	1.28	0.80	0.00	0.00	0.00	0.00
33	0.23	0.08	0.17	0.22	0.30	0.58	0.52	0.14	0.11	0.28	0.79	1.21	0.82	0.00	0.00	0.00	0.00
34	0.00	0.08	0.17	0.23	0.30	0.59	0.52	0.15	0.11	0.30	0.82	1.23	0.84	0.00	0.00	0.00	0.00
35	0.00	0.09	0.17	0.24	0.30	0.61	0.53	0.15	0.11	0.30	0.88	1.24	0.83	0.00	0.00	0.00	0.00
36	0.00	0.09	0.17	0.25	0.31	0.62	0.53	0.15	0.12	0.30	0.90	1.26	0.83	0.00	0.00	0.00	0.00
37	0.00	0.00	0.18	0.26	0.31	0.65	0.54	0.15	0.12	0.30	0.91	1.27	0.84	0.00	0.00	0.00	0.00
38	0.00	0.00	0.18	0.26	0.32	0.66	0.54	0.16	0.12	0.31	0.93	1.27	0.00	0.00	0.00	0.00	0.00
39	0.00	0.00	0.19	0.27	0.33	0.66	0.00	0.17	0.12	0.33	0.94	1.27	0.00	0.00	0.00	0.00	0.00
40	0.00	0.00	0.19	0.27	0.35	0.67	0.00	0.17	0.13	0.34	0.99	1.28	0.00	0.00	0.00	0.00	0.00
41	0.00	0.00	0.19	0.27	0.36	0.68	0.00	0.17	0.13	0.35	1.01	1.28	0.00	0.00	0.00	0.00	0.00
42	0.00	0.00	0.20	0.28	0.36	0.00	0.00	0.17	0.13	0.35	1.01	1.28	0.00	0.00	0.00	0.00	0.00
43	0.00	0.00	0.00	0.28	0.37	0.00	0.00	0.00	0.13	0.35	0.94	0.00	0.00	0.00	0.00	0.00	0.00
44	0.00	0.00	0.00	0.29	0.37	0.00	0.00	0.00	0.13	0.35	0.95	0.00	0.00	0.00	0.00	0.00	0.00
45	0.00	0.00	0.00	0.29	0.37	0.00	0.00	0.00	0.14	0.35	0.97	0.00	0.00	0.00	0.00	0.00	0.00
46	0.00	0.00	0.00	0.29	0.38	0.00	0.00	0.00	0.00	0.36	0.97	0.00	0.00	0.00	0.00	0.00	0.00
47	0.00	0.00	0.00	0.29	0.38	0.00	0.00	0.00	0.00	0.36	0.97	0.00	0.00	0.00	0.00	0.00	0.00
48	0.00	0.00	0.00	0.30	0.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: CONFIDENTIAL Company's Finance Department.

Notes:

(1) Static pool losses are the cumulative loss rates for a single pool of collateral, calculated each period in which the pool of collateral continues to generate cash flow. Loss rates are calculated by the ratio of (1) the cumulative net present value of defaulted collateral (value measured at the time of default) over (2) the beginning net present value of collateral.

(2) The monthly cumulative net loss percent is calculated by dividing the cumulative realized losses by the original pool balance. The realized loss definition recognizes an estimated loss on any receivable that is 180 days or more past due and any receivable that is a repossessed receivable. This estimate is adjusted to actual loss at the time the receivable is liquidated.

Table CONFIDENTIAL4: Historical Repossessions and Net Losses
For year ended October 31,

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Agricultural, Construction and Forestry													
Ave Gross Portfolio Managed [2]	5,437	5,654	6,005	6,665	6,802	6,798	7,537	8,635	9,634	10,153	10,132	9,768	10,058
Repos as % of Ave Gross Portfolio Managed [2]	1.08	1.43	1.36	1.26	1.22	1.22	0.72	0.46	0.50%	0.63%	1.04%	1.36%	1.22%
Net Loss % of Ave Gross Portfolio Managed[3]	0.27	0.39	0.42	0.4	0.38	0.38	0.17	0.08	0.07%	0.12%	0.25%	0.49%	0.53%
Net Losses as a % of Liquidations [3][4]	**0.43**	**0.64**	**0.77**	**0.69**	**0.72**	**0.71**	**0.34**	**0.17**	**0.15%**	**0.23%**	**0.41%**	**0.83%**	**0.94%**

Source: *Prospectus Form 424B5, 2003,2005, 2011, www.sec.gov*

Notes:

(1) Except as indicated, all amounts and percentages are based on the gross amount of all unpaid installments scheduled to be paid on each contract.

(2) Average gross portfolio managed includes agricultural, construction and forestry equipment retail notes owned by CONFIDENTIALCC.

(3) Net losses are equal to the aggregate net balances of all contracts that are determined to be uncollectible and liquidated, or uncollectible and written off, less any recoveries (before giving effect to any recoveries relating to dealer reserves). Dealer reserves in respect of the receivables, which range from 0.5% - 3% of the total balance outstanding on retail notes originated with a dealer, are not available to the trust.

(4) Liquidations represent a reduction in the outstanding balances of the contracts as a result of cash payments and charge-offs.

(5) Rates have been annualized for January 31, 2010 and January 31, 2011. Annualized rates are not necessarily indicative of the experience for a full year.

Table CONFIDENTIAL5: Historical Delinquencies
For year ended October 31,

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
						Number of Contracts							
Gross Portfolio	213,711	216,065	225,790	222,015	237,992	254,159	273,768	282,963	288,686	281,668	271,298	251,896	253,933
Period of Delinquency													
31-59 Days	2,949	3,011	3,026	3,370	3,775	2,933	3,002	3,025	3,401	3,268	3,083	3,545	3,875
60+ Days	3,849	4,592	4,198	4,175	4,992	4,293	3,830	3,291	3,949	4,522	3,989	5,331	4,383
Total Delinquencies	6,798	7,603	7,224	7,545	8,767	7,226	6,832	6,316	7,350	7,790	7,072	8,876	8,258
Total Delinquencies as a Percent of Gross Portfolio	**3.18%**	**3.52%**	**3.20%**	**3.40%**	**3.68%**	**2.84%**	**2.50%**	**2.23%**	**2.55%**	**2.77%**	**2.61%**	**3.52%**	**3.25%**
						Face Amount of Contracts (in $$)							
Gross Portfolio	5,582	5,725	6,285	7,045	6,558	7,037	8,037	9,233	10,035	10,271	9,993	9,543	10,573
Period of Delinquency													
31-59 Days	87	100	100	122	123	90	94	98	136	144	121	135	81
60+ Days	110	139	136	138	160	126	102	95	130	179	168	222	174
Total Delinquencies	197	239	236	260	283	215	196	194	266	323	289	357	254
Total Delinquencies as a Percent of Gross Portfolio	**3.52%**	**4.17%**	**3.75%**	**3.70%**	**4.32%**	**3.06%**	**2.44%**	**2.10%**	**2.65%**	**3.15%**	**2.89%**	**3.74%**	**2.41%**

Source: *Prospectus Form 424B5, 2003,2005, 2011, www.sec.gov*

Notes:

(1) Delinquencies and repossessions on CONFIDENTIAL's entire portfolio of retail agricultural, construction and forestry equipment receivables (including variable rate receivables, fixed rate receivables and variable rate receivables that are subject to an interest rate cap arrangement). The division of the receivables in the pool among agricultural and construction equipment differs from the division in CONFIDENTIAL's entire portfolio.

(2) Face amounts and percentages are based on the gross amount of all unpaid installments scheduled to be paid on each contract, including unearned finance and other charges. For the periods prior to and including January 2009, monthly payments were considered to be delinquent if the obligor paid less than 90% of the scheduled payment by the due date. A payment other than a monthly payment was delinquent if either: (a) the obligor paid less than 97% of the scheduled payment by the due date, or (b) the unpaid remaining balance of such scheduled payment was more than $600.

Table ANONYMOUS1: Summary of Prior ANONYMOUS Pools. The data is as of the cut-off date. Static Pool Data:

	ANON Commercial Equipment	ANON Commercial Equipment	ANON Commercial Equipment	ANON Equipment Midticket	ANON Equipment Midticket	ANON Equipment Midticket	ANON Equipment Midticket
	2003-1	**2004-1**	**2005-1**	**2006-1**	**2007-1**	**2009-1**	**2010-1**
Closing Date	9/23/2003	11/16/2004	6/16/2005	12/14/2006	11/20/2007	9/11/2009	9/29/2010
Cut-off Date	8/2/2003	9/24/2004	5/6/2005	11/4/2006	9/29/2007	8/1/2009	8/28/2010
Original Pool Balance	$376,946,369	$840,347,214	$654,062,078	$1,053,773,885	$1,137,360,451	$618,399,513	$759,165,132
% of Pool Balance - Fixed Rate	49.76%	55.23%	73.32%	91.51%	97.26%	100.00%	100.00%
% of Pool Balance - Floating Rate	50.24%	44.77%	26.68%	8.49%	2.74%	0.00%	0.00%
Original Number of Contracts	600	1,215	1,031	2,220	7,127	5,666	3,148
Average Receivable Balance	$628,244	$691,644	$634,396	$474,673	$159,585	$109,142	$241,158
Weighted Average Original Term	57.5	59.5	58.4	64.04	62.75	61.5	65.41
Weighted Average Remaining Term	48.2	52.4	53.5	54.58	56.31	48.62	54.34
Contract Rate - Fixed - (% of Pool Balance)							
Less than 3.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.42%	2.01%
3.00% - 3.99%	0.00%	0.74%	0.00%	0.00%	0.00%	0.00%	1.12%
4.00% - 4.99%	10.86%	13.58%	5.20%	0.05%	0.03%	0.72%	2.27%
5.00% - 5.99%	42.82%	44.67%	36.93%	8.40%	1.14%	5.10%	8.12%
6.00% - 6.99%	28.50%	25.31%	39.39%	37.26%	27.22%	25.41%	24.29%
7.00% - 7.99%	12.53%	11.70%	16.57%	42.50%	47.49%	21.46%	33.62%
8.00% - 8.99%	4.75%	3.50%	1.47%	9.51%	17.50%	17.71%	16.59%
9.00% - 9.99%	0.05%	0.48%	0.35%	2.15%	4.56%	14.81%	8.17%
10.00% or Greater	0.49%	0.02%	0.10%	0.13%	2.06%	13.38%	3.81%
Gross Margin - Floating - (% of Pool Balance)							
0.00% - 0.99%	0.54%	0.39%	1.39%	4.48%	0.00%	0.00%	0.00%
1.00% - 1.99%	12.27%	13.08%	17.44%	19.70%	34.26%	0.00%	0.00%
2.00% - 2.99%	58.13%	46.13%	49.84%	51.13%	50.25%	0.00%	0.00%
3.00% - 3.99%	26.94%	34.01%	26.67%	24.64%	9.36%	0.00%	0.00%
4.00% - 4.99%	1.83%	6.25%	4.65%	0.05%	6.14%	0.00%	0.00%
5.00% or Greater	0.30%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%
Geographic Distribution (% of Pool Balance) Top 5 States							
Top 1 State %	CA - 14.18%	CA - 13.24%	CA - 13.8%	CA - 18.34%	TX - 12.34%	CA - 15.95%	IL - 11.38%
Top 2 State %	MI - 8.77%	IL - 7.90%	TX - 7.49%	TX - 7.91%	CA - 10.48%	TX- 11.43%	CA - 9.97%
Top 3 State %	IL - 8.66%	MN - 6.85%	NJ - 6.18%	NJ - 5.03%	IL - 5.34%	NY - 7.46%	TX- 9.36%
Top 4 State %	MN - 7.52%	MI - 6.68%	MI - 5.82%	IL - 5.00%	NY - 5.13%	IL - 5.79%	NY - 5.49%
Top 5 State %	TX - 6.78%	TX - 6.27%	FL - 5.52%	MI - 4.51%	FL - 5.03%	FL - 3.80%	OR - 4.17%

Source: *Prospectus Form 424B3,2011, www.sec.gov*

Table ANONYMOUS1: Summary of Prior ANONYMOUS Pools. The data is as of the cut-off date. Static Pool Data: (con't)

	ANON Commercial Equipment	ANON Commercial Equipment	ANON Commercial Equipment	ANON Equipment Midticket	ANON Equipment Midticket	ANON Equipment Midticket	ANON Equipment Midticket
	2003-1	**2004-1**	**2005-1**	**2006-1**	**2007-1**	**2009-1**	**2010-1**
Equipment Type (% of Pool Balance)							
Transportation Equipment	34.43%	34.32%	45.38%	48.33%	49.79%	51.22%	45.28%
Industrial Equipment	25.99%	25.42%	17.00%	17.05%	17.62%	15.30%	27.71%
Furniture & Fixtures	17.03%	6.89%	13.44%	8.69%	4.74%	4.92%	5.15%
Construction Equipment	16.10%	14.40%	12.23%	12.52%	14.02%	10.01%	9.66%
Technology & Telecommunications	3.79%	8.93%	3.35%	4.56%	4.66%	4.00%	2.68%
Printing Presses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.66%
Maritime Assets	0.27%	3.01%	3.83%	6.07%	2.62%	5.35%	2.49%
Other Equipment	2.38%	0.67%	3.07%	2.78%	6.55%	9.20%	3.37%
Medical/Dental Equipment	0.00%	6.36%	1.69%	0.00%	0.00%	0.00%	0.00%
Obligor Industry (% of Pool Balance)							
Mining & Construction	20.71%	21.49%	20.60%	18.04%	14.86%	11.53%	7.54%
Transportation	20.36%	26.31%	30.56%	36.71%	40.34%	43.34%	41.30%
Manufacturing	17.28%	11.04%	9.93%	8.59%	9.17%	8.18%	13.44%
Services	14.31%	11.73%	11.95%	15.77%	16.22%	14.66%	9.97%
Agriculture, Forestry & Fishing	8.54%	6.04%	5.20%	5.73%	4.48%	3.27%	12.64%
Printing & Publishing	6.26%	10.15%	12.09%	8.29%	7.54%	8.40%	7.49%
Distribution/Wholesale	5.43%	4.16%	4.52%	4.42%	2.78%	5.98%	3.91%
Retail	4.34%	1.04%	1.90%	1.05%	2.57%	1.93%	2.78%
Electronics	1.82%	1.67%	1.55%	1.12%	0.45%	2.39%	0.00%
Healthcare	0.00%	6.36%	1.69%	0.07%	0.09%	0.25%	0.00%
Other	0.96%	0.00%	0.00%	0.19%	1.50%	0.07%	0.92%

Source: *Prospectus Form 424B3,2011, www.sec.gov*

Table ANONYMOUS2: Monthly Delinquencies (30+ Days) for ANONYMOUS Pools. Static Data as of March 31, 2011

Months from Closing Date	ANON Commercial Equipment 2003-1	ANON Commercial Equipment 2004-1	ANON Commercial Equipment 2005-1	ANON Equipment Midticket 2006-1	ANON Equipment Midticket 2007-1	ANON Equipment Midticket 2009-1	ANON Equipment Midticket 2010-1
1	0.00	0.15	0.02	0.00	0.18	0.21	0.02
2	0.00	0.00	0.00	0.00	0.44	0.66	0.13
3	0.00	0.16	0.00	0.00	0.58	1.05	0.12
4	0.06	0.21	0.02	0.15	0.63	1.41	0.14
5	0.21	0.43	0.03	0.24	0.88	1.68	0.14
6	0.07	0.05	0.03	0.02	1.10	2.27	0.29
7	0.35	0.01	0.05	0.14	1.69	1.90	0.00
8	0.15	0.45	0.06	0.10	1.45	1.94	0.00
9	1.37	0.99	0.22	0.09	0.89	2.02	0.00
10	1.39	0.39	0.22	0.24	1.42	1.47	0.00
11	1.79	0.20	0.40	0.18	1.07	2.20	0.00
12	3.35	0.25	0.01	0.22	1.32	2.52	0.00
13	1.80	0.17	0.00	0.60	2.01	2.72	0.00
14	0.17	0.66	0.05	0.55	1.84	2.38	0.00
15	0.09	0.83	0.06	0.49	2.00	2.75	0.00
16	0.00	0.88	0.00	0.57	2.94	1.80	0.00
17	0.32	0.83	0.27	0.61	4.84	2.13	0.00
18	0.11	0.13	0.02	0.52	4.17	2.25	0.00
19	1.91	0.10	0.00	1.04	5.35	2.47	0.00
20	1.92	0.03	0.00	0.65	4.50	0.00	0.00
21	2.07	0.14	0.32	0.49	5.30	0.00	0.00
22	2.30	0.03	0.12	0.83	6.14	0.00	0.00
23	0.21	0.54	0.09	0.72	6.82	0.00	0.00
24	0.41	0.57	0.35	1.25	5.15	0.00	0.00
25	0.35	0.74	0.32	0.96	5.77	0.00	0.00
26	1.24	0.37	0.64	1.29	5.55	0.00	0.00
27	1.47	1.30	0.41	1.49	6.91	0.00	0.00
28	1.76	0.53	0.20	2.12	8.97	0.00	0.00
29	0.98	0.53	0.20	1.98	7.67	0.00	0.00
30	0.43	0.44	0.04	2.68	7.17	0.00	0.00
31	0.46	0.53	0.02	2.39	6.58	0.00	0.00
32	0.49	0.67	0.08	2.18	5.96	0.00	0.00
33	0.73	0.54	0.01	2.59	5.59	0.00	0.00
34	0.78	0.29	0.55	2.14	5.16	0.00	0.00
35	0.63	0.28	1.30	1.84	4.23	0.00	0.00
36	0.92	0.22	0.56	2.22	4.12	0.00	0.00
37	0.23	0.25	0.91	1.23	5.32	0.00	0.00
38	0.26	1.60	0.54	1.62	4.82	0.00	0.00
39	0.28	1.61	0.73	1.71	4.74	0.00	0.00
40	0.31	1.93	0.73	2.54	8.96	0.00	0.00
41	0.33	2.09	0.48	1.89	5.61	0.00	0.00
42	0.00	0.72	0.44	2.50	0.00	0.00	0.00
43	0.00	2.80	0.34	2.04	0.00	0.00	0.00
44	0.00	3.12	0.88	1.85	0.00	0.00	0.00
45	0.00	2.99	1.03	1.37	0.00	0.00	0.00
46	0.00	3.44	1.59	1.50	0.00	0.00	0.00
47	0.00	2.66	0.97	1.62	0.00	0.00	0.00
48	0.00	3.00	0.57	2.40	0.00	0.00	0.00
49	0.00	0.00	0.25	0.57	0.00	0.00	0.00

Source: *Prospectus Form 424B3,2011, www.sec.gov*

Table ANONYMOUS3: Cumulative Net Loss for ANONYMOUS Pools. Static Data as of March 31, 2011

Months from Closing Date	ANON Commercial Equipment 2003-1	ANON Commercial Equipment 2004-1	ANON Commercial Equipment 2005-1	ANON Equipment Midticket 2006-1	ANON Equipment Midticket 2007-1	ANON Equipment Midticket 2009-1	ANON Equipment Midticket 2010-1
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	0.00	0.00	0.00	0.00	0.02	0.01	0.00
4	0.00	0.00	0.00	0.00	0.02	0.03	0.00
5	0.00	0.00	0.00	0.00	0.03	0.04	0.00
6	0.00	0.00	0.00	0.00	0.03	0.10	0.01
7	0.00	0.00	0.01	0.00	0.06	0.18	
8	0.00	0.00	0.01	0.00	0.08	0.20	
9	0.00	0.00	0.01	0.00	0.11	0.21	
10	0.00	0.00	0.01	0.00	0.14	0.29	
11	0.00	0.00	0.03	0.00	0.18	0.29	
12	0.00	0.00	0.03	0.01	0.23	0.30	
13	0.00	0.00	0.01	0.02	0.26	0.30	
14	0.00	0.00	0.01	0.02	0.37	0.56	
15	0.00	0.00	0.01	0.02	0.40	0.60	
16	0.00	0.00	0.01	0.02	0.42	0.62	
17	0.00	0.01	0.01	0.09	0.46	0.63	
18	0.00	0.01	0.01	0.12	0.54	0.67	
19	0.00	0.01	0.01	0.12	0.59	0.65	
20	0.00	0.01	0.01	0.13	0.64		
21	0.00	0.01	0.01	0.11	0.66		
22	0.00	0.01	0.01	0.12	0.71		
23	0.00	0.01	0.38	0.12	0.75		
24	0.00	0.01	0.38	0.13	0.91		
25	0.00	0.01	0.38	0.15	0.99		
26	0.00	0.01	0.38	0.15	1.05		
27	0.00	0.01	0.38	0.15	1.10		
28	0.05	0.01	0.38	0.16	1.12		
29	0.05	0.01	0.34	0.15	1.23		
30	0.04	0.11	0.37	0.15	1.27		
31	0.04	0.11	0.37	0.15	1.34		
32	0.04	0.14	0.37	0.15	1.52		
33	0.04	0.14	0.38	0.15	1.62		
34	0.04	0.14	0.37	0.21	1.67		
35	0.04	0.14	0.37	0.24	1.69		
36	0.04	0.14	0.37	0.24	1.82		
37	0.05	0.14	0.37	0.35	1.84		
38	0.05	0.12	0.37	0.35	1.88		
39	0.05	0.12	0.37	0.38	1.86		
40	0.05	0.12	0.37	0.40	1.87		
41	0.05	0.13	0.37	0.40	1.87		
42		0.13	0.38	0.40			
43		0.13	0.38	0.47			
44		0.13	0.38	0.47			
45		0.13	0.38	0.47			
46		0.13	0.38	0.47			
47		0.16	0.38	0.53			
48		0.16	0.42	0.53			
49			0.42	0.53			

Source: *Prospectus Form 424B3,2011, www.sec.gov*

Table ANONYMOUS4: Lifetime Constant Prepayment Rate (CPR) for ANONYMOUS. Static Data as of 3/31/2011

Months from Closing	ANON Commercial Equipment 2003-1	ANON Commercial Equipment 2004-1	ANON Commercial Equipment 2005-1	ANON Equipment Midticket 2006-1	ANON Equipment Midticket 2007-1	ANON Equipment Midticket 2009-1	ANON Equipment Midticket 2010-1
1	6.96	4.47	6.73	6.04	7.86	11.33	0.00
2	8.41	6.88	5.81	5.86	6.06	9.70	11.30
3	5.80	5.78	5.65	5.16	5.40	11.19	14.79
4	6.93	5.58	6.57	4.88	5.24	11.12	15.75
5	8.31	6.56	5.82	4.72	6.66	12.01	14.64
6	6.66	6.23	5.84	4.74	7.64	10.53	13.35
7	8.00	6.92	7.37	5.73	8.04	10.53	
8	9.17	8.14	7.53	7.26	9.22	10.89	
9	8.46	8.76	7.01	7.44	8.80	10.85	
10	7.98	8.46	7.92	7.42	7.86	10.79	
11	7.40	8.32	7.41	8.88	8.62	11.12	
12	8.52	9.14	7.41	9.43	9.30	12.52	
13	8.15	9.20	7.32	10.71	8.28	13.04	
14	9.15	9.63	6.97	10.47	8.66	13.78	
15	9.28	10.29	6.71	10.84	7.94	12.79	
16	10.92	9.95	7.15	11.59	7.61	14.10	
17	11.49	9.76	7.14	12.58	7.82	13.63	
18	11.14	9.34	7.77	13.39	7.87	14.75	
19	11.29	10.29	7.59	14.43	7.72	14.73	
20	10.79	9.92	7.68	14.75	7.74		
21	10.17	10.21	7.34	15.04	7.94		
22	11.28	10.33	7.44	15.60	7.64		
23	12.29	10.37	7.47	15.71	7.86		
24	12.46	10.26	8.24	15.87	8.01		
25	12.72	10.47	8.06	16.19	7.96		
26	12.62	10.33	8.86	16.14	8.19		
27	12.40	10.48	8.55	16.16	7.88		
28	14.12	10.22	8.83	16.28	7.73		
29	14.01	10.37	8.66	16.36	7.86		
30	14.13	10.61	9.32	16.88	8.40		
31	14.47	12.15	9.71	17.35	8.09		
32	14.27	12.29	9.61	17.76	8.50		
33	15.22	13.42	9.44	18.37	8.77		
34	14.83	13.41	9.26	18.65	9.73		
35	15.55	13.59	9.64	19.35	9.90		
36	16.15	13.47	9.65	20.58	10.31		
37	16.06	13.42	9.75	21.37	9.95		
38	15.97	14.01	10.07	21.66	10.46		
39	15.66	13.90	10.58	22.07	10.12		
40	15.75	13.72	10.60	22.53	10.05		
41	15.16	13.60	10.52	23.38	9.96		
42		13.50	11.28	23.63			
43		13.27	11.81	24.82			
44		13.06	11.04	25.41			
45		12.84	10.74	26.21			
46		12.47	11.05	26.61			
47		12.26	11.39	27.28			
48		11.92	11.70	28.00			
49			11.79	30.12			

Source: *Prospectus Form 424B3, 2003,2005, 2011, www.sec.gov*

Table PRIVATE1: Equipment Trust 2008-A

WA APR	Aggregate Contract Value	Number of Receivables	WA Remaining Term	WA Original Term	Ave Contract Value
5.22%	$516,980,674.25	16,745	46.11 months	54.83 months	$30,873.73

Ave Original Contract Value	Ave Outstanding Contract Value	Ave Contract Age	WA Advance Rate (1)
$39,880.96	$29,737.68	8.72 months	86.86%

Source: *Prospectus Form 424B5, 2011, www.sec.gov*

Table PRIVATE2: Equipment Trust 2008-A

Type		Number of Receivables	Aggregate Contract Value	Percent of Aggregate Contract Value
Agricultural		14,281	416,412,997.61	80.55
	New	8,266	233,638,404.62	45.19
	Used	6,015	182,774,592.99	35.35
Construction		1,868	93,134,307.06	18.02
	New	1,363	70,652,429.38	13.67
	Used	505	22,481,877.68	4.35
Consumer		596	7,433,369.58	1.44
	New	537	6,934,511.19	1.34
	Used	59	498,858.39	0.1
TOTAL		**16,745.00**	**516,980,674.25**	**100**

Source: *Prospectus Form 424B5, 2011, www.sec.gov*

Table PRIVATE3: Equipment Trust 2011-A

WA APR	Aggregate Contract Value	Number of Receivables	WA Remaining Term	WA Original Term	Ave Contract Value
3.36%	$1,172,017,585.82	21,954	54.57 mo	59.21 mo	$53,385.15

Ave Original Contract Value	Ave Outstanding Contract Value	Ave Contract Age	WA Advance Rate (1)
$59,789.67	$51,852.83	4.64	81.73%

Source: *Prospectus Form 424B5, 2011, www.sec.gov*

Notes:

(1) The Weighted Average Advance Rate represents the percentage advanced against the dealers' wholesale price of the equipment. The percentage shown excludes previously securitized receivables that have been reacquired by PRIVATE, including through the exercise of its clean up calls on prior transactions. The total receivables so excluded from this calculation represent 3.30% of the aggregate Contract Value of the receivables in the statistical pool.

Table PRIVATE4: Equipment Trust 2011-A

Equipment Type	Number of Receivables	Aggregate Contract Value	Percent of Aggregate
Agriculture	17,877	$986,619,476.38	95.83%
New	8,172	$439,166,050.58	42.65%
Used	9,705	$547,453,425.80	53.17%
Construction	1,424	$42,962,906.37	4.17%
New	948	$28,396,152.35	2.76%
Used	476	$14,566,754.02	1.41%
Total	19,301	$1,029,582,382.75	100.00%

Source: *Prospectus Form 424B5, 2011, www.sec.gov*

Table PRIVATE5: Historical Credit Loss/Repossession Experience

	31-Mar	31-Mar	Year Ended December 31,						
	2011	2010	2010	2009	2008	2007	2006	2005	2004
Average Net Portfolio Outstanding During the Period(1)	4938	4894	4945.3	5318	5759.2	5,563.00	5,099.50	4,772.50	4,494.80
Repossessions as a Percent of Average Net Portfolio Outstanding(1)	1.19	2.17	2.38	1.93	1.16	0.82	0.71	0.76	1.02
Net Losses as a Percent of Liquidations(2)(3)(4)	0.71	2.35	1.82	2.29	1.39	0.66	0.91	0.94	0.9
Net Losses as a Percent of Average Net Portfolio Outstanding(2)(3)	**0.38**	**1.32**	**0.98**	**1.26**	**0.73**	**0.33**	**0.43**	**0.46**	**0.47**

Source: Securities & Exchange Commission http://www.sec.gov/edgar/searchedgar/companysearch.html

Notes:

(1) The Average Net Portfolio Outstanding is the average of the year end principal balances for the prior and current year.

(2) A portion of the sponsor's contracts originated through dealers provide for recourse back to the dealers. Approximately 1.28%, 2.68%, 4.27% and 4.83% of the aggregate amounts scheduled to be paid on the sponsor's portfolios of contracts originated by or through dealers during the years ended December 31, 2007, 2006, 2005 and 2004, respectively, provide for recourse to the dealers

(3) Net losses are equal to the aggregate of the principal balances of all contracts plus any costs incurred to repossess, sell or recondition the equipment which have been charged to the contract, less any recoveries on contracts charged off in the period or prior periods.

(4) Liquidations represent a reduction in the outstanding balances of the contracts as a result of cash payments and charge-offs.

Table PRIVATE6: Historical Delinquency Experience of PRIVATE Equipment Trust

	At December 31,													
	20010		2009		2008		2007		2006		2005		2004	
	Number of Contracts	Dollars	Number of Contracts	Dollars	Number of Contracts	Dollars	Number of Contracts	Dollars	Number of Contracts	Dollars	Number of Contracts	Dollars	Number of Contracts	Dollars
							(Dollars in Millions)							
Number of Contracts and Loans and Principal Balance Outstanding	176264.00	4931.90	197012.00	4958.70	231284.00	5677.20	252165.00	5841.10	245260.00	5284.80	245483.00	4914.10	246054.00	4630.80
NUMBERS Period of Delinquency														
31-60 days	2,178.00	36.10	3,496.00	68.00	4,006.00	96.90	3,964.00	83.90	2,795.00	54.20	3,297.00	56.50	2,601.00	41.40
61+ days	2285.00	60.50	4000.00	127.60	3706.00	111.70	2724.00	69.90	2341.00	54.00	2539.00	52.60	3049.00	67.60
Total Number of Delinquencies	**4,463.00**	**96.60**	**7,496.00**	**195.60**	**7,712.00**	**208.60**	**6,688.00**	**153.80**	**5,136.00**	**108.20**	**5,836.00**	**109.10**	**5,650.00**	**109.00**
PERCANTAGES Period of Delinquency														
31-60 days	1.24%	0.73%	1.77%	1.37%	1.73%	1.71%	1.57%	1.44%	1.14%	1.03%	1.34%	1.15%	1.06%	0.89%
61+ days	1.30%	1.23%	2.03%	2.57%	1.60%	1.97%	1.08%	1.20%	0.95%	1.02%	1.03%	1.07%	1.24%	1.46%
Total Percentage	**2.53%**	**1.96%**	**3.80%**	**3.94%**	**3.33%**	**3.67%**	**2.65%**	**2.63%**	**2.09%**	**2.05%**	**2.38%**	**2.22%**	**2.30%**	**2.35%**

Source: *Prospectus Form 424B5, 2011, www.sec.gov*

Table ANONYMOUSCC1: Cumulative Net Losses (CNL).

Months	MEDIUM/LARGE Fleet					SMALL Fleet				
since Dec. 31	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
0	0	0	0	0	0	0	0.02	0	0	0
3	0	0.13	0	0	0	0.01	0.15	0.02	0.03	0
6	0	0.15	0.24	0	0	0.07	0.21	0.78	0.13	0.21
9	0.07	0.34	0.36	0	0	0.1	0.43	2.29	0.35	0.27
12	0.16	0.5	0.89	0.11	0.08	0.1	0.7	3.05	0.89	0.31
15		0.66	1.05	0.13	0.13		0.89	3.58	1.26	0.42
18		0.7	1.76	0.14	0.15		1.01	4.48	1.88	0.52
21		0.7	2.68	0.24	0.15		0.99	5.11	2.8	0.75
24		0.7	2.72	0.43	0.15		1.05	6.15	3.31	0.9
27			2.95	0.56	0.17			6.54	3.65	1.06
30			2.96	0.66	0.19			6.77	4.1	1.33
33			2.97	0.75	0.22			6.86	4.42	1.6
36			2.97	0.92	0.24			6.94	4.73	1.86
39				0.89	0.25				5.12	2.19
42				0.9	0.27				5.31	2.32
45				0.95	0.27				5.37	2.44
48				0.95	0.33				5.41	2.49
51					0.35					2.52
54					0.35					2.52
57					0.35					2.53
60										2.53

Source: *Prospectus Form 424B3, 2003,2005, 2011, www.sec.gov*

Note: Cumulative net loss history for Medium/Large Fleet and Small Fleet equipment loans secured by transportation equipment originated by ANONYMOUS.

Table ANONYMOUSCC2: Delinquency Experience by Principal Balance (Medium/Large Fleet)

	By March 31,		By December 31,				
	2011	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Principal Balance Outstanding	789,387,989	809,842,851	827,093,390	827,693,031	837,917,839	1,064,301,398	847,514,211
Period of Delinquency in days[(1)]							
31-60	775,413	5,490,859	185,705	6,234,875	404,414	3,736,876	184,027
61-90	47,453	3,531,907	4,023,400	5,412,520	456,696	701,421	0
91+	1,690,424	3,757,006	1,801,272	5,134,419	2,652,828	3,960,120	65,217
Total Delinquencies*	2,513,290	12,779,771	6,010,377	16,781,814	3,513,938	8,398,417	249,245
Total Delinquencies as % of Principal Balance Outstanding	**0.32%**	**1.58%**	**0.73%**	**2.03%**	**0.42%**	**0.79%**	**0.03%**

Source: *Prospectus Form 424B3, 2011, www.sec.gov*

Note: Represents loans 30+ days past due as of the end of the applicable period. Totals in this table may not sum due to rounding.

Table ANONYMOUSCC3: Credit Loss Experience (Medium/Large Fleet)

	By March 31,		By December 31,				
	2011	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Principal Balance Outstanding at end of period	789,387,989	809,842,851	827,093,390	827,693,031	837,917,839	1,064,301,398	847,514,211
Number of Loans Outstanding	5,025	5,365	5,343	5,401	5,800	5,985	3,685
Credit Losses[(1)(2)]	505,894	3,666,400	8,551,304	7,164,392	1,846,923	751,205	495
Credit Losses as % of Principal Outstanding at end of period[(1)(2)]	**0.06%**	**0.45%**	**1.03%**	**0.87%**	**0.22%**	**0.07%**	**0.00%**

Source: *Prospectus Form 424B3, 2011, www.sec.gov*

Note: Represents loans 30+ days past due as of the end of the applicable period. Totals in this table may not sum due to rounding.

Table ANONYMOUSCC4: Delinquency Experience by Principal Balance (Small Fleet)

	By March 31,		By December 31,				
	2011	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Principal Balance Outstanding	859,756,321	657,584,235	804,607,589	644,052,208	639,467,763	723,946,302	466,862,901
Period of Delinquency in days [(1)]							
31-60	2,052,063	7,915,497	3,305,166	8,599,938	5,939,787	7,164,011	1,821,083
61-90	1,639,486	5,559,949	2,488,492	9,065,431	4,176,932	3,757,452	352,856
91+	5,891,688	13,322,665	6,384,967	10,443,737	10,895,841	5,246,633	298,093
Total Delinquencies*	9,583,237	26,798,110	12,178,625	28,109,106	21,012,560	16,168,095	2,472,032
Total Delinquencies as % of Principal Balance Outstanding	**1.11%**	**4.08%**	**1.51%**	**4.36%**	**3.29%**	**2.23%**	**0.53%**

Source: *Prospectus Form 424B3, 2011, www.sec.gov*

Note: Represents loans 30+ days past due as of the end of the applicable period.

Table ANONYMOUSCC5: Credit Loss Experience (Small Fleet)

	By March 31,		By December 31,				
	2011	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Principal Balance Outstanding	859,756,321	657,584,235	804,607,589	644,052,208	639,467,763	723,946,302	466,862,901
Number of Loans Outstanding	14,831	10,464	13,741	10,115	8,999	8,243	4,652
Credit Losses[(1)(2)]	2,607,506	2,567,895	11,203,088	23,558,392	14,623,077	2,256,533	280,243
Credit Losses as % of Principal Outstanding at end of period[(1)(2)]	**0.30%**	**0.39%**	**1.39%**	**3.66%**	**2.29%**	**0.31%**	**0.06%**

Source: *Prospectus Form 424B3, 2011, www.sec.gov*

Note: Credit losses refer to the difference between the outstanding principal balance of the loans and the actual recoveries.

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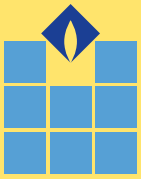

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