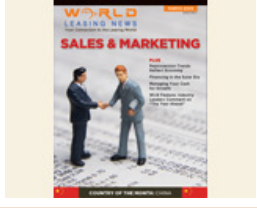




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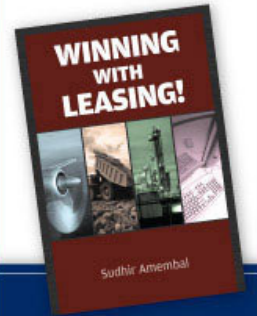


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Crystal Ball Time...What Does 2010 Hold for our Industry?

Dec 08, 2009

It's safe to say that 2009 can't end soon enough. But what can we expect of its replacement, 2010? Based on the data now available to us, we may see a better business environment in the coming year.

Unfortunately, that same data indicates progress may be limited in its speed and scope. Diligent professionals in the equipment leasing industry will have to stick to solid business fundamentals in order to achieve their desired levels of success in 2010.

When forecasting the future, Nassau Asset Management uses its NasTrac Quarterly Index (NQI), compiled from our activity reports for collections, repossessions and orderly liquidations. The latest NQI report showed a 44 percent decline in truck activity in the third quarter of 2009 as compared to the same quarter last year. In addition, machine tool repossessions were down 55 percent for the quarter as compared to last year and medical equipment dropped by 32 percent in comparison to Q3 of 2008.

However, the NQI also showed that collections, repossession and liquidation of construction equipment were up by 53 percent and printing equipment repos rose by 82 percent as compared to the same quarter last year.

Trucking and Freight

This mixed economic message is validated by outside data and forecasts. For example, in the trucking sector, FTR Associates has reduced its projection for 2010 North American production of Class 8 trucks by 12 percent, providing one reason for the decline in truck repossessions.

In addition, the most recent U.S. Freight Transportation Services Index, compiled by the Transportation Department, reached its lowest level in September since 1996, after three consecutive months of increases. That trend indicates that progress in rejuvenating the trucking sector will be erratic, with more good months than bad, but a mixture of both.

While fuel prices did not affect freight transportation in 2009 that may change next year. The U.S. Energy Information Administration (EIA) is projecting that higher crude-oil prices will contribute to an increase in the annual average gasoline retail price from \$2.36 per gallon in 2009 to \$2.81 in 2010, with prices near \$3 per gallon during next year's summer driving season. The EIA is also projecting a 46-cent rise in diesel fuel prices in 2010, to around \$2.94 per gallon from the 2009 average of \$2.48.

Manufacturing

When trying to gauge the true economic condition of the country, the manufacturing sector is especially important. Therefore, it is especially good news to note both the 55 percent decline in machine tool repos in the Q3 09 NQI, the first decline in several quarters, and positive signs in manufacturing growth.

The Institute for Supply Management's monthly manufacturing Report on Business for November showed growth in the nation's manufacturing for the fourth consecutive month, matching the trend of the overall U.S. economy, which expanded for the seventh straight month. Continued growth in manufacturing in the coming months would represent one of the best signs of an economic turnaround in 2010.

The construction equipment sector offers more mixed news and the forecast for 2010 is equally murky. Analysts are projecting gains in housing and public works in the coming year, offsetting declines in commercial and industrial construction. McGraw-Hill Construction forecasts an 11 percent increase in overall U.S. construction starts to \$466.2 billion, following a projected 25 percent decline for 2009.

Meanwhile, sales of newly built homes have risen to the highest level in more than a year and supplies of these homes have dropped to new lows, according to the Commerce Department. Add this data to a report earlier in November of a surprising 10 percent surge in sales of existing homes in October and the rise of the Architecture Billings Index, a leading indicator of nonresidential construction spending, to its highest level since August 2008, and you see the first signs of a resurgent construction market. However, with a continuing increase in repossessions of construction



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equipment, the sad truth is this turnaround did not arrive in time to help certain companies.

In the midst of this changing and challenging environment, our statistics indicate there is still a buyer's market in the trucking, construction and machine tool sectors, and it is still possible to match up buyers and sellers. To effectively liquidate or remarket assets you must be quick and smart in your decision-making.

Valuing Equipment

Equipment values in this market change daily and sellers must be conscious of the current actual liquidation value of their equipment and be able to take the best offer given to them in full confidence.

They will also have to carefully weigh their options when considering using either the auction process or orderly liquidations. The auction process may include "make ready" expenses to prepare equipment for sale, while limiting the audience to only those potential buyers who choose to participate in the auction.

In addition, the auction process was primarily developed for contractor-owned equipment and is not really attuned to the needs of lenders dealing with defaults, personal guarantors and who have to defend a commercially reasonable sale. There are better alternatives.

In an orderly liquidation process, a firm can list an item as it receives it and keep listing it for purchase until the sale is complete, netting the customer more money faster. In addition, most firms will discount repair costs in preparation for placing the item on the market. That marketplace will be a global one, because the item will be posted on the Internet to be reviewed by customers around the world.

Finally, don't just use the proper tools when venturing into this strange new world known as 2010. Work with an established, successful, well respected full service asset management firm that has a strong relationship of trust with its buying base to achieve the ultimate goal: to complete a transaction that satisfies both parties.

Will we see better days in 2010? The answer seems to be "yes," based on the available evidence. But to really take advantage of whatever turnaround occurs, asset management professionals will have their work cut out for them. Be an expert or work with those who are to make the most of the opportunities to be found in this new year.

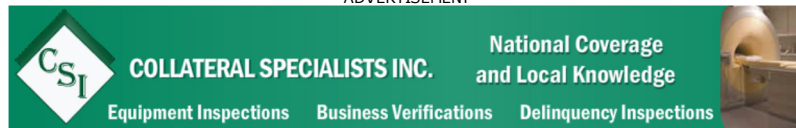
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