# Summit Consumer Receivables Fund, L.P.

September 6, 2013

2Q13 Investor Meeting and

Investor Advisory Board (IAB) Meeting

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# AGENDA

- Welcome—1 min (EG)
- Economic landscape, and Summit update – 5 min (EG)
- Financial Statement and Default Forecast Review – 10 min (DH)
- Cashflow Forecast and Fortress term loan update – 5 min (EG)
- Portfolio Performance Review – 10 min (PC)
- Consumer Receivables Market Overview – 10 min Where we go from Here – 20 min (EG)
- Q&A – 28 min
- Closing Remarks – 1 min (EG)

# WHAT'S NEW AT SUMMIT

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- 30-day LIBOR remains low:
  - 0.18% as of today (vs. 0.20% as of last meeting April 25th)
- Successfully closed two transactions with a managed account investor, which is good for both the G.P. and the Fund's investors
  - This allowed us to reduce O/H allocation to SCRF starting in January 2013, boosting returns from 2.6% to 4.1% annualized for the year

# What's New at Summit (Cont)

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- The Economy
  - ➢ It has been slowly, but steadily, improving
  - ➢ The labor market's gradual improvement has continued this year
    - The economy has added 192,000 jobs a month, on average, this year, compared to 183,000 monthly jobs added in 2012 and 175,000 jobs a month in 2011
    - A fresh update on the U.S. employment situation for August showed the economy added 169,000 jobs last month
    - the unemployment rate fell to 7.3%

# What's New at Summit (Cont)

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- While short-term interest rates remain at historical lows, long-term rates are now at their highest level since July 2011 in response to the Fed convincing markets they are on the verge of tapering their quantitative easing stimulus
- One interesting result is the nonconforming jumbo mortgages are as much as three quarters of a percent less expensive than conforming
- As a result of the last several years of tumult in the fixed-income and consumer credit markets, there are also excellent buying opportunities in consumer receivables… although the landscape continues to change
- We are performing due diligence on the exercise of SAI's Option for a Midwest consumer finance company

# Summit Consumer Receivables Fund, L.P. and Affiliates
## Consolidated Balance Sheet
### July 31, 2013

**Assets**

| | | |
|---|---|---|
| Cash | $ | 68,539 |
| Restricted Cash | | 501,330 |
| Receivables From Servicing Companies | | 24,598 |
| Prepaid Expenses | | 14,204 |
| Investment in Consumer Debt Portfolios | | 14,556,751 |
| Investment in SSPE, LLC | | 0 |
| Investment in SSPE FCC, LLC | | 0 |
| Fixed Assets, Net | | 36,000 |
| Other Assets | | 109,690 |
| **Total Assets** | $ | 15,311,112 |

**Liabilities & Partners' Capital**

**Liabilities**

| | | |
|---|---|---|
| Accounts Payable & Accrued Expenses | $ | 34,252 |
| Loans Payable | | 2,577,677 |
| **Total Liabilities** | $ | 2,611,929 |

**Partners' Capital**

| | | |
|---|---|---|
| Partners' Contributions/Distributions | $ | 9,498,505 |
| Retained Earnings | | 2,755,067 |
| Current Year Earnings | | 445,610 |
| **Total Partners' Capital** | $ | 12,699,183 |
| **Total Liabilities & Partners' Capital** | $ | 15,311,112 |

SUMMIT ALTERNATIVE INVESTMENTS LLC

# Summit Consumer Receivables Fund, L.P. and Affiliates
## Consolidated Income Statement
### July 31, 2013

SUMMIT ALTERNATIVE INVESTMENTS LLC

| | For the Month | Year to Date |
|---|---|---|
| **Revenue** | | |
| Investment in Ordinary Income | $ 15,406 | $ 127,666 |
| Investment Interest Income | 103,230 | 855,314 |
| Allowance for Credit Losses | 0 | 0 |
| **Total Revenue** | $ 118,636 | $ 982,980 |
| **Expenses** | | |
| Interest Expense | $ 13,895 | $ 142,165 |
| Office Expenses | 10,770 | 83,713 |
| Travel, Meal & Entertainment | 0 | 2,040 |
| Professional Fees | 15,288 | 106,037 |
| Payroll | 28,550 | 203,415 |
| Overhead Expense Allocation | 0 | 0 |
| **Total Expenses** | $ 68,503 | $ 537,370 |
| **Net Income** | $ 50,133 | $ 445,610 |

# DEFAULT FORECAST UPDATE

As a reminder, we increased our loss reserve by $2.0M in 2012

- This forecast projects defaults to decline over time at a more gradual and linear rate than our previous forecasts
  - Historically, portfolio defaults declined at a faster rate than linearly, but since that had not yet begun to happen in SCRF, we felt this adjustment was appropriate
- Defaults are now coming in slightly below our projection, however, we will continue to monitor the performance and loss reserve for the remaining life of the assets
  - Through Sep-13, we expect to be $17K ahead of our projection

# STATUS OF FORTRESS LOAN PAYOFF

- As a reminder, we signed an Addendum with Fortress in May, 2013 extending the Term Loan payoff due date through August, 2014
- As a result:
  - We committed all excess cashflow towards the Loan (which we were already doing and have continued to do)
  - Fortress proposed a servicing fee increase from 1.5% to 2.25%, which we were able to get reduced to 2.1% on the performing accounts with the existing 1.5% on charged-off accounts
  - This increase results in an additional servicing cost of about $75,000 through the maturity of the loan

# Cash Forecast

- February, 2014 is the estimated Fortress payoff date with a current loan balance of $2.6M as of July, 2013
- We have been paying an avg. of $460K/month over the past 12 months towards the Term Loan
  - Cashflow can go directly towards paying redemptions once the loan is paid in full
- Estimated cash remaining after pay down of the loan: $14M

# PORTFOLIO REVIEW 2Q2013

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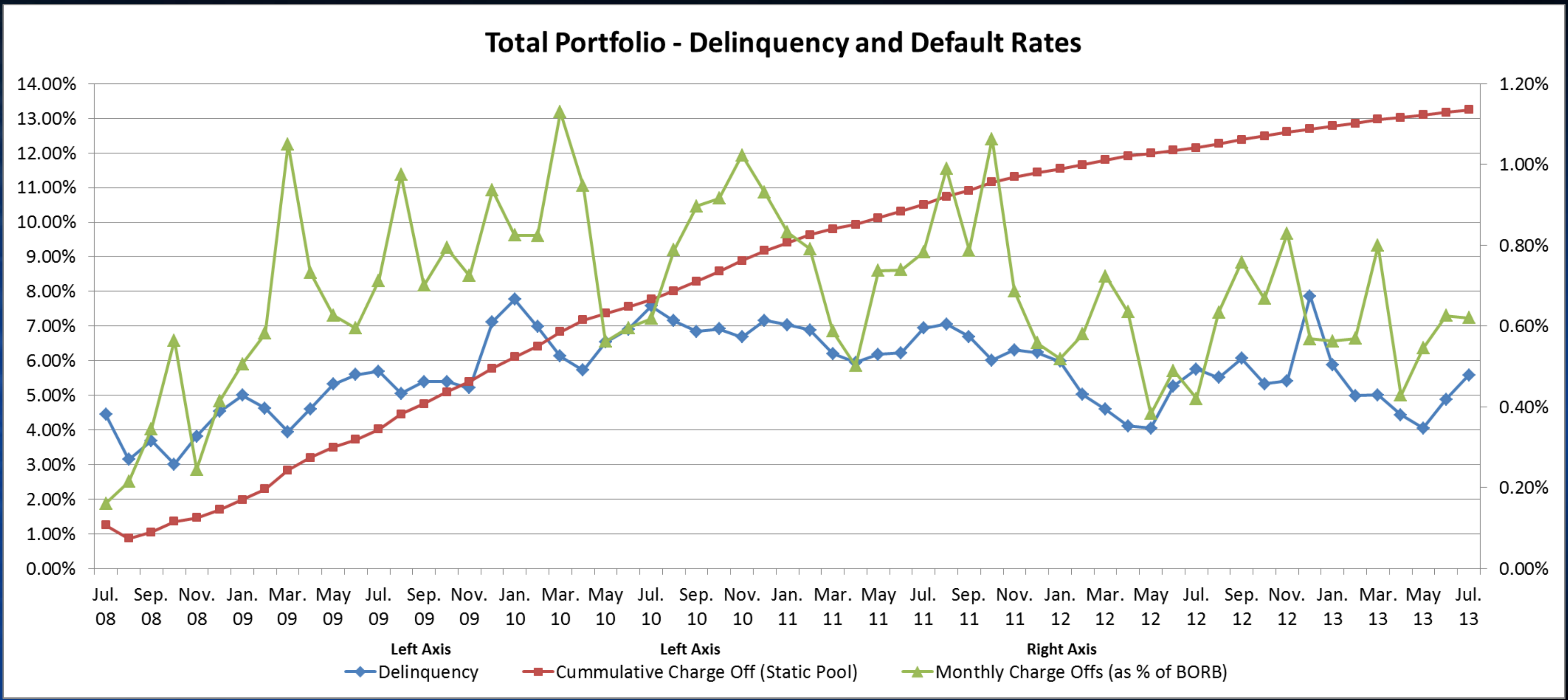
- Asset Performance Data presented as of 7/31/13
- 94.4% of fund assets are current on a principal balance basis
- There are 2,661 total individual consumer loans with a principal balance of $15,402,169
- Cumulative delinquency of all fund assets on a static pool basis:
  - Cumulative delinquency at 30+ days past due is 5.59%
  - Change from Dec-12: -2.27% (from 7.86%)
- Cumulative default rate of all Fund assets on a static pool basis is 13.25%
  - 2013 YTD Annualized Default Rate: 7.35%
  - 2012 Default Rate: 7.45%
    - Calculated as a % of Beginning Outstanding Receivable Balance (BORB)

# Portfolio Review, Cont.



# 2Q2013 Recap and Projected Performance Moving Forward

- Year to Date Recap
  - Overall, defaults trended down for the quarter
  - Delinquency remained relatively flat
- Projected Performance
  - Expecting an increase in defaults for 3rd quarter
    - This was built into the loss reserve forecast via an expected seasonal bump
  - Trending to meet or outperform 2013 loss reserve totals
  - Delinquency should remain relatively flat

# PORTFOLIO PERFORMANCE

- SCRF, L.P. consolidated return statistics through Jul-13:
  - 5.40% total return since inception
  - 0.82% annualized return since inception
  - 2012 return: -8.01% vs. 2011 return: 4.43%
  - 2013 YTD return: 2.39% (4.13% annualized)

- SCRF, L.P. non-side pocket return statistics through Jul-13:
  - 52.91% total return since inception
  - 6.84% annualized return since inception
  - 2012 return: -0.72% vs. 2011 return: 3.63%
  - 2013 YTD return: 0.44% (0.76% annualized)

# Consumer Receivables: Market Overview

Wayne M Crane

# 2012 Transactions

- One Investment Group
  - ➢Investor In The Industry
  - ➢Owned by a Foreign Bank
    - Presently investing nearly $1 Billion in 2013
- Great Synergies
  - ➢Combined Intellectual Resources
  - ➢Improved Pricing and Forecasting Models

# Two Portfolio Purchases - #1

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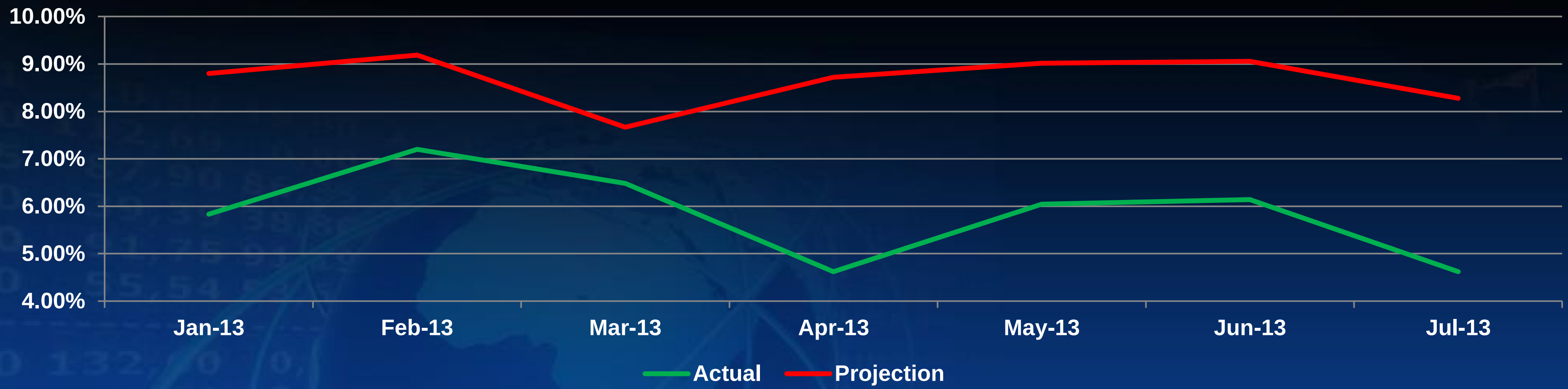
- Over $100 Million
- One of the Nation's Largest Consumer Finance Companies
  - Price was 85.25% of UPB
- Personal Loan Portfolio
  - WAC = 15.8%
  - WA FICO = 721
  - WAIT = 81 Months
  - WART = 29 Months
  - UIRR Forecast = 11.4%

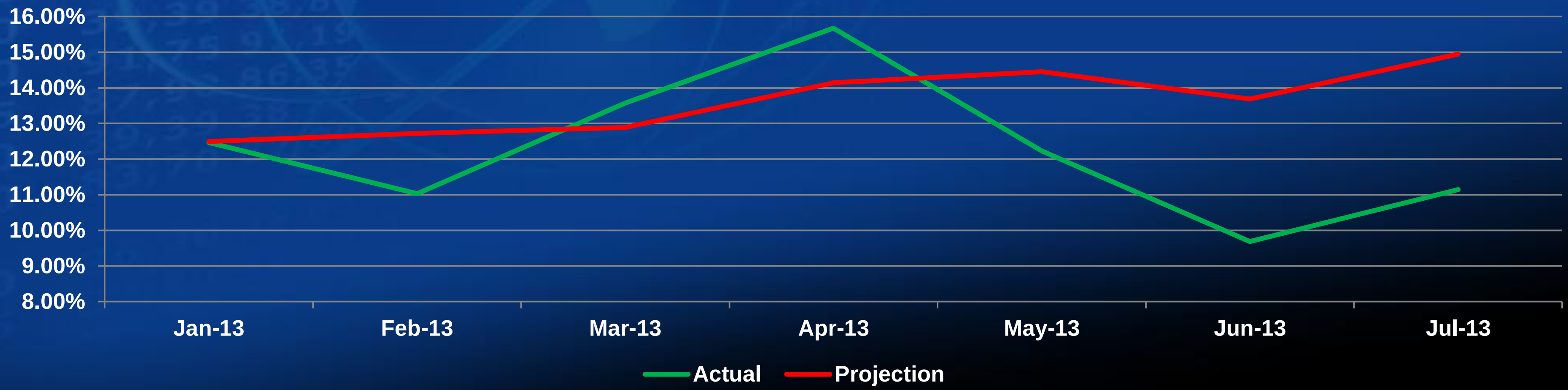
# Portfolio #2

- Owners Retiring (SAI, LLC Option for Platform)
- In Business over 40 years
- Over $100 Million in UPB
  - ➢Price was 78.59% of UPB
- HI Loans
  - ➢WAC = 11.7%
  - ➢WA FICO = 644
  - ➢WAIT = 184 Months
  - ➢WART = 122 Months
  - ➢UIRR Forecast = 10.2%

# HI Portfolio Actual vs. Projection YTD Defaults




# Personal Loan Portfolio Actual vs. Projection YTD Defaults



# FCC Flow

- Purchased by SCRF from May, 2009 through December, 2009
- A Revised Credit Model U/W
- Similar Attributes to Recent Portfolio Purchases
  - WA FICO (at origination) = 710
  - WART = 81 Months
  - UIRR Forecast = 10.6%

# SCRF w/ Continued Purchases

- Assumptions:
  - Purchase $1.9M of FCC Flow every month from Jan-10 through Jul-13 (maximum FCC Flow amount we originated)
  - No change to O/H

- 2010-13 annualized return before and after:

-2.4% ⟷ 5.1%

7.5% Δ

# Present Portfolio Pipeline

- $45 Million HI — 7-9%
- $340 Million HI — 7-9%
- $36 Million Canada PS — 6-8%
- $22 Million 2nd Mort — 8-10%
- $15 Million HI — 12-14%
- $20 Million RV - Mixed — Unknown
- $12 Million Health Care — Unknown

**Unlevered**

# Flow Opportunities 2014

- Home Improvement
- Residential Solar
- Health Care
- Pet Leasing
- Medical School

# Setting the Stage

- I apologize that our returns have not been higher over the past five years.  We have learned some lessons
- We bought the FCC bulk at the peak of the market, and unfortunately we were not able to continue to buy through the downturn as prices got significantly better
- Although the Fund did not perform as we would have liked it too, it could've been much worse
  - General Electric is lagging the S&P 500 by about 40% due to its consumer loan exposure and is now considering a spin-off
- Bulk portfolios have been bid up a bit in price, but there are still significant opportunities for both bulks as well as future forward flow

# BRAINSTORM: WHERE WE GO FROM HERE

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- Some ideas:
  - Begin buying paper again
    - Probably only possible if a significant percentage of investors withdraw their redemptions
    - The GP is willing to withdraw its redemption to help make this happen
  - Continue with redemptions as scheduled (FIFO)
  - Declare the fund in liquidation and switch to pro-rata redemption
  - Continue with redemptions as scheduled (FIFO), but with a significant holdback (for example, 20%) to equalize the economics
    - This provide some of the benefits of the prior two bullet points
  - Sell SCRF's Portfolio
    - likely to trade in the 78-85% range; would likely result in a significant loss
  - What others can you think of?

# Closing Remarks

- We are in the excellent position of being in control of our own destiny—and we have some time to chart the optimal course for SCRF  before Fortress is repaid
- As always, we will continue to look for ways to maximize SCRF investor returns
- If you can think of any additional options for how we move forward or suggestions for ways we can improve our communication with you, please let us know!

# Q&A

# Backup Slides

# SCRF Loan Maturities

| | Remaining Principal Balance | Percentage of Fund | Cumulative % of Fund |
|---|---|---|---|
| < 1 year | $363,382 | 2.4% | |
| 1-2 years | $1,048,729 | 6.8% | |
| 2-3 years | $1,249,895 | 8.1% | |
| 3-4 years | $1,331,440 | 8.7% | |
| 4-5 years | $1,954,896 | 12.7% | 38.7% |
| 5-6 years | $2,132,779 | 13.9% | |
| 6-7 years | $889,800 | 5.8% | |
| 7-8 years | $903,782 | 5.9% | |
| 8-9 years | $1,077,430 | 7.0% | |
| 9-10 years | $1,710,775 | 11.1% | 82.4% |
| 10-11 years | $1,164,533 | 7.6% | |
| 11-12 years | $261,718 | 1.7% | |
| 12-13 years | $275,374 | 1.8% | |
| 13-14 years | $446,188 | 2.9% | |
| 14-15 years | $327,914 | 2.1% | |
| 15+ years | $231,240 | 1.5% | 100.0% |
| Total: | $15,369,874 | | |