



# Summit Consumer Receivables Fund, L.P.

November 19, 2009

Quarterly Investor Update

Summit Consumer Receivables Fund, L.P.

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Summit Consumer Receivables Fund, L.P.

# Agenda



- Welcome
- Word on the Street: recent economic news – 5 min (EG)
- What's New at Summit – 5min (EG)
- SCRF, L.P. Revised PPM and LPA Review and Q&A – 25min (EG/CG)
- Financial Statement Quarterly Review – 5 min (DH)
- Recent Fund Return Statistics – 5 min (EG)
- Portfolio Review – 10 min (CV)
- FCC Bulk Portfolio Discussion – 20 min (EG)
- Closing Remarks – 5 min (EG)
- Q&A – 10 min (EG)
  
- After-Meeting Discussion of Asset Acquisition – 10 min (WC)
  - Potential Deals in our Pipeline



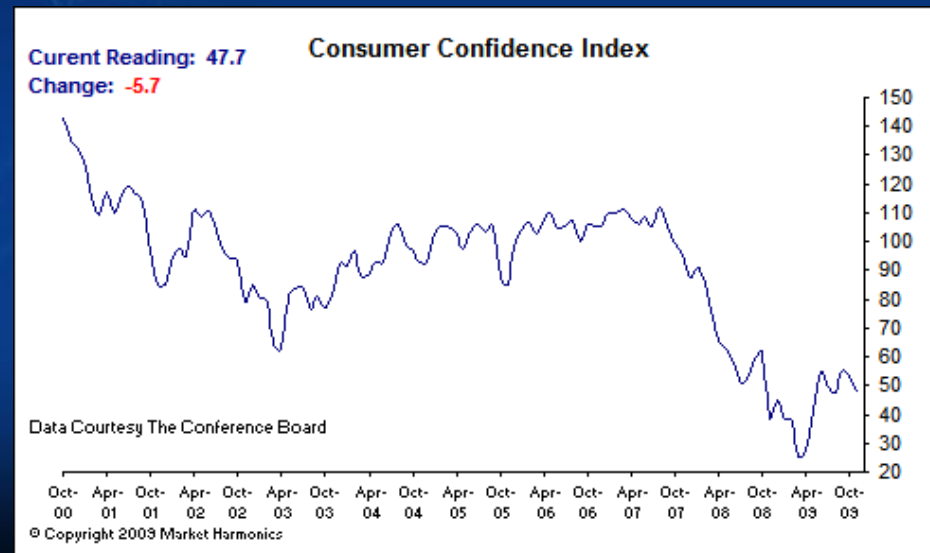
# Word on the Street

Summit Consumer Receivables Fund, L.P.

# Unemployment Statistics



- National UER currently at 10.2% (it was 6.1% a year ago)
  - Highest level since April, 1983
  - Since start of recession in December, 2007 the number of unemployed persons has risen by 8.2 million (+5.3%)
  - However, it is beginning to show signs of leveling off
- CBO estimates that UER will stabilize in 2010 at 10.3% but notes it will likely remain high for an “extended period”
  - UER lagging indicator
  - CCI low, but **double its trough**  
**From earlier this year**



# The Fed and Interest Rates



- November 17, 2009 Fed announcement
  - Bernanke says nation is in better financial shape than a year ago but “significant economic challenges remain”
  - Conditions likely to “warrant exceptionally low levels of the federal funds rate for an extended period”
- 1-month LIBOR rate currently 0.24% as of today
  - This is its lowest level, ever
  - 1-month LIBOR was 3.92% one year ago

# Economic Recovery & Inflation



- Recent market rally produced on the back of a weakening USD
  - Earnings support from slashing corporate overhead, layoffs and reduced CAPEX
  - **Not a prescription for sustainable growth (top-line revenue growth is the key)**
- M2 Money supply has increased at an annual rate of 5% while output of Goods & Services is falling
  - Long-term interest rates cannot fall in conjunction with an increasing money supply for very long (**History and economics say Inflation is inevitable**)
- Prime-credit Housing:
  - 3.4% of homes are 120+ DPD, but not in foreclosure yet
  - 9.6% of home loans are in default
  - The WSJ estimated today that 7 million more homes will be foreclosed on within the next year...likely to exceed new housing starts over the same period
- **Overall, SCRF's portfolio is performing significantly better than most others in our industry...but we are still experiencing higher defaults than originally projected**

# What's New at Summit



- Due to the likelihood of future regulation requiring HF managers to register with the SEC, SAI, LLC is in the process of registering as an Investment Advisor
- After extensive tax research which is now complete, SCRF, L.P.'s amended Fund docs are now complete and have been disseminated by Email and US Mail for our investors' consent
  - Goal: eliminate tax on UBTI for IRA investors, and eliminate phase-out of deductions for taxable LPs
  - These benefits are retroactive to 1/1/09



# SCRF, L.P. PPM and LPA Review



- The revised PPM and LPA and associated tax research were completed by Sadis & Goldberg, specialist HF attorneys, and Bosma Group, CPAs
- This is the culmination of an effort which began in 1Q09, and was put on hold for a few months to await the industry expertise of Clark Gates once he was hired
- Following is an overview of the main updates made to the documents:

# Main PPM and LPA Changes



- (i) a change in the performance allocation period from annually to quarterly beginning in 2010;
- (ii) the inclusion of mechanics for dealing with certain types of investments (e.g., particularly illiquid);
- (iii) defining with more specificity the cash that will be available for withdrawals;
- (iv) important updates to the sections of the Confidential Offering Memorandum dealing with Taxation and ERISA (including reallocation of expenses and income to the General Partner retroactive to January 1, 2009 in an effort by the Partnership to reduce unrelated business taxable income for IRA investors and reduce taxable income accompanied by deductions subject to the 2% floor for domestic taxable investors);
- (v) inclusion of a “Qualified Client” investor requirement in anticipation of the General Partner registering as an investment advisor with the Securities and Exchange Commission;
- (vi) general updates to the Partnership’s investment program and biographies of personnel; and
- (vii) updates to the Partnership’s service provider information.

# Financial Statement Review



Summit Consumer Receivables Fund, L.P.

SCRF, L.P. & SSPE, LLC

September 30, 2009

Consolidated Balance Sheet

Assets

Cash	20,809
Restricted Cash	3,459,887
Receivable From Servicing Companies	124,686
Prepaid Expenses	322,331
Investment in Consumer Debt Portfolios	57,151,296
Investment in SSPE, LLC	0
Investment in SSPE FCC, LLC	0
Fixed Assets, Net	29,000
Other Assets	5,126,223
<b>Total Assets</b>	<b>66,234,232</b>

Liabilities & Partners' Capital

Liabilities

Accounts Payable & Accrued Expenses	1,154,740
Commissions Payable	4,167
Investment Hold-Back Reserves	10,891
Loans Payable	44,425,843
<b>Total Liabilities</b>	<b>45,595,641</b>

Partners' Capital

Partners' Contributions/Distributions	12,402,966
Retained Earnings	5,637,173
Current Year Earnings	2,598,453
<b>Total Partners' Capital</b>	<b>20,638,591</b>

**Total Liabilities & Partners' Capital**

**66,234,232**



SCRF, L.P. & SSPE, LLC

September 30, 2009

Consolidated Income Statement



	<u>For The Month</u>	<u>Year To Date</u>
<b><u>Revenue</u></b>		
Investment Ordinary Income	42,246	679,687
Investment Interest Income	282,725	4,548,694
Temporary Investment Interest & Dividend Income	0	0
Miscellaneous Income	0	0
<b>Total Revenue</b>	<b>324,971</b>	<b>5,228,381</b>
<b><u>Expenses</u></b>		
Interest Expense	165,460	1,736,569
Office Expenses	17,802	97,135
Travel, Meals & Entertainment	329	11,526
Professional Fees	45,453	287,046
Payroll	57,682	497,652
<b>Total Expenses</b>	<b>286,726</b>	<b>2,629,929</b>
<b>Net Income</b>	<b>38,245</b>	<b>2,598,453</b>

# 3Q09 and Year-to-Date Returns



- The 3Q09 return was 2.14%, which annualizes to 8.84%
  - There was a 3Q09 impairment taken in September of \$240K
    - It was mostly for FCC Bulk which we'll review in more detail later
- SCRF, L.P. return statistics through September 2009:
  - 8.89% net return for the first nine months of the year (12.03% compounded and annualized)
  - 45.98% total return since inception
  - 15.77% annualized return since inception

# Portfolio Review

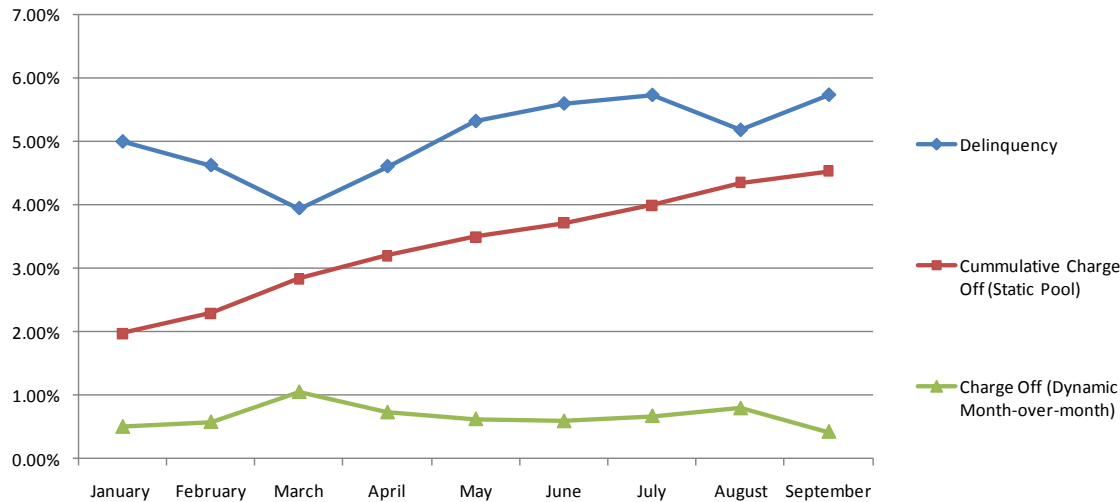


- Asset Performance – Data presented as of 9/30/09
- 94.27% of fund assets are current on a principal balance basis
- Total individual consumer loans are 10,723 with a \$55,215,036 current balance
- Cumulative delinquency of all fund assets on a static pool basis:
  - Cumulative delinquency at 30+ days past due is 5.73%
  - Change since last quarter is +0.13%
- Cumulative default rate of all Fund assets on a static pool basis is 4.53%
  - Projected 4.83% vs. Actual 4.53%
  - Change since last quarter is +0.81%
  - Projections are dynamic and change with new purchases

# Portfolio Review (Cont.)



**Total Portfolio - Delinquency and Default Rates**



**SUMMIT CONSUMER RECEIVABLES FUND**  
**PRINCIPAL BALANCE AGING REPORT BY INDUSTRY**  
 AS OF 09/30/09

*Accounts Current-90 are shown as a percent of Present Balance.*

*Collections & write-offs are shown as a percent of Original Balance.*

INDUSTRY	PRESENT BALANCE	ORIGINAL BALANCE	FUND								Tot DQ %	COLLECTIONS		WRITE OFFS		Tot W/O %	% OF FUND
			0-30		31-60		61-90		90+			PBAL	%	PBAL	%		
			PBAL	%	PBAL	%	PBAL	%	PBAL	%							
VACATION FINANCING	8,212	102,801	8,212	100.0%	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%	0.0%
DURABLE GOODS	2,780,670	38,960,382	2,677,978	96.3%	60,433	2.2%	33,787	1.2%	8,471	0.3%	3.7%	4,926	0.0%	14,676	0.0%	0.1%	5.0%
BUYERS CLUBS	672,353	10,132,911	653,074	97.1%	8,185	1.2%	9,398	1.4%	1,697	0.3%	2.9%	0	0.0%	0	0.0%	0.0%	1.2%
HOME IMPROVEMENT	43,284,538	56,878,866	40,802,813	94.3%	1,344,619	3.1%	584,689	1.4%	552,416	1.3%	5.7%	1,571,368	2.8%	1,309,109	2.3%	5.1%	78.4%
ELECTIVE MEDICAL	8,469,264	16,038,448	7,906,752	93.4%	263,564	3.1%	174,899	2.1%	124,049	1.5%	6.6%	2,041,995	12.7%	594,837	3.7%	16.4%	15.3%
<b>TOTAL</b>	<b>55,215,036</b>	<b>122,113,407</b>	<b>52,048,829</b>	<b>94.27%</b>	<b>1,676,801</b>	<b>3.04%</b>	<b>802,773</b>	<b>1.45%</b>	<b>686,633</b>	<b>1.24%</b>	<b>5.73%</b>	<b>3,618,289</b>	<b>2.96%</b>	<b>1,918,622</b>	<b>1.57%</b>	<b>4.53%</b>	<b>100.0%</b>



# Portfolio Review (Cont.)



- Industry concentration—delinquency by group vs. 2Q09  
(based on current principal balance as of 9/30/09)

➤ Vacation Financing	0%	Prior 0%	Change N/A
➤ Durable Goods	3.7%	Prior 5.4%	Change -1.7%
➤ Buyers' Clubs	2.9%	Prior 3.0%	Change -0.1%
➤ Elective Medical	6.6%	Prior 6.4%	Change +0.2%
➤ Home Improvement	5.7%	Prior 5.5%	Change +0.2%

- Industry concentration—default rates by group vs. 2Q09  
(based on a static-pool basis as of 9/30/09)

➤ Vacation Financing	0%	Prior 0%	Change N/A
➤ Durable Goods	0%	Prior 0%	Change N/A
➤ Buyers' Clubs	0%	Prior 0%	Change N/A
➤ Elective Medical	16.4%	Prior 14.5 %	Change +1.9%
➤ Home Improvement	5.1%	Prior 4.0%	Change +1.1%

# FCC Bulk Portfolio Issue



- Recent FCC-B default rates have been higher than projected, and higher than other FCC assets bought as “flow” after the Bulk
  - Historical default rates were 3.84% on a static-pool basis over 9 years
  - SCRF projected default rates of 8.35% to provide a cushion, plus a 2% purchase price reserve for defaults above 6%. FCC-B default rate to date: 6.5%
- Disagreement in October with our lender Fortress about whether we have hit our 3 and 6-month default trigger levels
  - Fortress formally notified us that they believe we hit those trigger levels, and in their view this is an event of default under our credit agreement
  - Discrepancies between Servicer reports from FCC and Fortress’ report
- We have been in dialog with Fortress as recently as yesterday to discuss options for resolution
- Earlier this week our counsel provided to Fortress the reasons we have NOT hit the trigger levels
- FCC-B: About 25% of SCRF’s current investor NAV

# FCC Bulk Portfolio Issue (cont.)



- After consulting with our auditors and legal counsel, we have chosen to “Side pocket” this portfolio until we can confidently value it
  - This side pocket will be used to separate FCC-B from the Fund’s other assets until we can confidently value it
  - SCRF’s existing fund docs allow this, but don’t spell out “rules of engagement” for side pocketing
    - Since the revised docs clarify these rules, they will be followed even before they become effective since they will soon govern
  - Effect on Contributions: new contributions from existing and new investors will not be subject to the side-pocket, and will own all other assets of SCRF
  - Effect on Redemptions: until the side-pocket can be confidently valued (a “realization event,”) redemptions *for this portion only* @ 25% of investor NAV will be suspended
  - Effect on Statements: most likely a separate line item with the estimated value of FCC-B
  - Change in Fees: no performance fees on the side pocket until realization

# FCC Bulk Portfolio Issue (cont.)



- Possibilities for resolution of our dispute with Fortress:
  - Although we are firm in our position, without negotiating with Fortress we may be forced to litigate
  - Therefore, we are considering options to give them increased comfort that the FCC Bulk term loan will be repaid
  - One option may be to combine our term loan and our revolving line of credit, which has more margin for error for the lender and could give us substantial default trigger relief

# Closing Remarks



- SCRF is currently in the top 1.2% of all hedge funds globally on HFN's Multi-Factor Rankings (#27 of 2263 global HFs > \$15M)
  - Four Factors:
    - (1) Compound Average Monthly Return, (2) Sortino Ratio, (3) Max Drawdown, (4) Downside Deviation
- SCRF is currently ranked #6 in Fixed Income – ABS/Sec. Loans category by BarclayHedge as of September 2009
- Summit has the ability to purchase paper at higher yields today on an *unlevered* basis than we did a year ago on a *levered* basis
  - If recent increases in investor contributions continue, this will allow us to take advantage of current market pricing
    - SCRF had \$850K in 3Q09 capital contributions
    - SCRF has seen \$1.25M of contributions so far in 4Q09, with half the quarter remaining

# Q&A



Summit Consumer Receivables Fund, L.P.