# SUMMIT CONSUMER RECEIVABLES FUND, L.P.

SEPTEMBER 16, 2011

QUARTERLY INVESTOR UPDATE

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# Agenda

- Welcome – 1 min (EG)
- What's New at Summit – 5 min (EG)
- Term Loan Refinance Update – 10 min (WC)
- Investor Interview Feedback and SCRF Cashflow decision – 15 min (EG)
  - Investor Loan Idea
- CAC Default Reforecast
- 2Q2011 SCRF Portfolio Review and July/August Updates – 15 min (PC)
- Financial Statement and Returns Review – 10 min (DH & EG)
- Closing Remarks – 5 min (EG)
- Q&A – 9 min

# What's New at Summit

- 30-day LIBOR is still very low, but has been coming up a bit from 0.19% to a current level of 0.23%

- Discussions with the large potential investor in Atlanta (Credigy) continue to go well
  - ➢ After extensive negotiations with the seller, CLST, we think we're weeks away from a deal, likely October close
    - Due to the relatively low projected yield based on the pricing, Credigy is asking SAI for a significant discount in our fees…
    - However, this would still help provide the GP a new source of revenue, and also help reduce SCRF overhead expenses
  - ➢ Also, getting this first deal "under our belt" with Credigy would make it easier to do future deals—further benefitting the GP and SCRF

# What's New at Summit (Cont.)

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- Potential is there for SCRF to buy, perhaps alongside Credigy or other "managed account" investors if we have a renewed LOC and/or new equity capital
- Economically, things at home and abroad are not great…
  - European banks and the EU are stressed due to "PIIGS" debt issues
  - GDP continues to slow in the US and most of the world
  - The changes of a "double-dip" recession continue to rise…many economists now put it at 50/50 or worse
  - Consumer sentiment is low, resulting in low spending
  - Unemployment is not improving, job growth is barely (and maybe not) keeping pace with population growth
- SCRF's defaults have increased a bit in the last few months—we'll review this in more detail later in the presentation
  - This is most likely tied to what's going on economically

# Potential Lenders

- Called a rediscount facility – LOC or Loan
- Not all banks transact rediscount facilities
  - ➢ Why a bank
  - ➢ Why not a non-traditional lender
    - A Hedge Fund (rates are 30-day LIBOR + 9, with a floor)
- List of Lenders
  - ➢ Wells Fargo Preferred Capital
  - ➢ Wells Fargo Foothill
  - ➢ Capital Source

# Lenders (Cont.)

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- Texas Capital Bank
- Capital One
- Umpqua Bank – Reno
- Harris Bank – Chicago
- CIT
- Nevada State Bank
- PNC
- Bank of America
- U.S. Bank

# The "Positives"

- Economy is healing…but slowly
- Consumer Defaults have generally been improving
- SCRF financial performance has improved since 2009 and 2010
- Financials
  - 2011 is profitable: Equity = $14M, Debt = $16.9M
  - Performing Assets are $30M
- Leverage is reasonable
  - Some mitigated risk for lenders
- Quality analytics
  - Lenders have been impressed

# The Challenges

- Not a full year of recent profitability
  - ➢ Most want 2-3 year profitable track record
- No Personal Guarantees
- Liquidating portfolio and investor redemptions
  - ➢ Reduction in equity
- Term Loan versus a traditional LOC
  - ➢ Most lenders prefer financial partnering for growth
  - ➢ Banks like to see growth

# Interested Lenders

- Review Process at this stage
  - Providing updated static pool reports and additional financial information through August
- Remaining potential interested lenders
  - Capital Source
  - Capital One
  - Harris Bank – Chicago
- All of these will want to provide a Line of Credit

# Investor Interview Feedback

- Should we repay Fortress in full now unless we can re-fi for reasonable terms?
  - 90.97% by capital account balance said yes
- Should we invest in short-term assets in SCRF's niche to maximize return while still being able to repay Fortress?
  - 87.17% said yes…if investors approve of the assets
  - Some thought it is not worth the risk, others believed that we should take advantage of the low-cost leverage for the remaining two years we have it
- Should we allow Deferral of Redemptions once they are resumed again?
  - 92.48% by capital account balance said yes

# INVESTOR INTER. FEEDBACK (CONT.)

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- If new investors want to invest in SCRF, but only if their contributions go to new purchases vs. redemptions, should we let them do so?
  - 92.57% by capital account balance said yes
- Should we allow “distressed” investors to redeem at a "fire-sale" allowing asset sales if needed to repay Fortress?
  - At discounts of 25%+, 91.12% by capital account balance said yes
- Interest in buying through an “Investor Exchange?”
  - Three investors said maybe
- Interest in selling through an “Investor Exchange?”
  - Five investors said maybe
- New idea of investors lending money to the Fund?
  - Could help repay Fortress if we come up short, and fixed-rate terms for a fixed period of time could be appealing to SCRF and investor/lenders

# Cashflow & Redemption Decision

- Given feedback from SCRF's investors, the GP's views of the downside of not being able to repay Fortress, and the challenges we have had with refinancing the credit facility to date…
  - ➢ We will send all excess cashflow to pay down the Fortress line, unless and until we are able to re-finance the facility for terms we as investors feel are reasonable (based on IAB consultation and GP decision)
  - ➢ In the meantime, if we find short-term opportunities which allow us to invest in receivables or related investments which our investors (based on IAB consultation and GP decision) feel make sense and still allow us to repay Fortress on time, we may take advantage of them to maximize our return on investment
- Repaying Fortress also reduces interest rate risk
- Unless we are able to re-fi, it will result in a lowered (de-levered) return, but with less risk

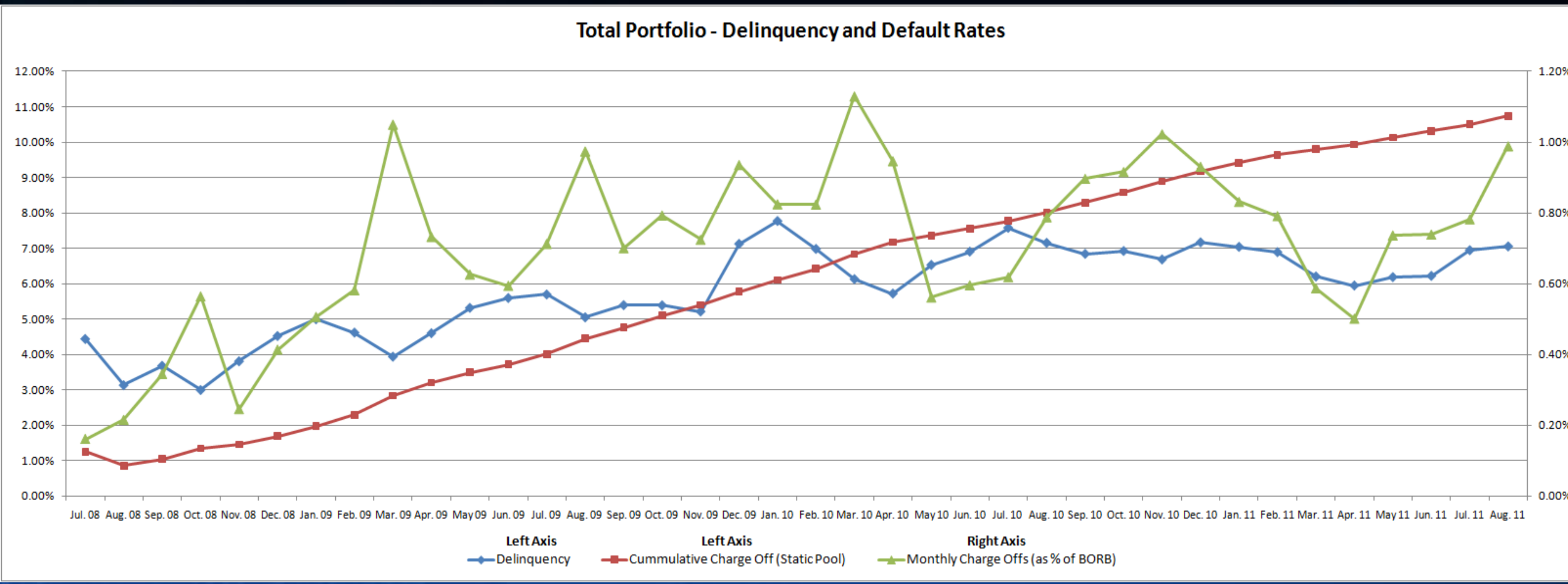
# CAC Default Re-Forecast

- We have previously discussed that CAC's defaults have come in higher than projected
  - ➢ We recently performed a detailed review of the CAC defaults and decided that the projections should be revised upwards
  - ➢ We selected an appropriate FICO-based "validation chart" that matches our historical and projected defaults
  - ➢ The revised CAC default projections will require an addition to loss reserve of $263K…either as a period expense in August, or charged over the remainder of the year
  - ➢ Discuss the timing of this additional reserve…
    - The latter might help with refinancing,
    - The former is more typical and what we would do if we were allowing contributions and redemptions now;
    - It will be fair to all investors either way as long as we continue to repay Fortress

# Portfolio Review

- Asset Performance Data presented as of 8/31/11
- 92.95% of fund assets are current on a principal balance basis
- There are 5,039 total individual consumer loans with a principal balance of $29,697,074
- Cumulative delinquency of all fund assets on a static pool basis:
  - Cumulative delinquency at 30+ days past due is 7.05%
  - Change since Apr-11: +1.10%
  - Change since Dec-10: -0.12%
- Cumulative default rate of all Fund assets on a static pool basis is 10.74%
  - 2011 YTD Annualized Default Rate: 9.31%
  - 2010 Default Rate: 10.53% (9.88% Annualized through Aug-10)
    - Calculated as a % of Beginning Outstanding Receivable Balance (BORB)

# Portfolio Review (Cont.)




**AUGUST 11' TOTAL PORTFOLIO**

| CLIENT | PORT | MONTH PURCH | TOTAL PBAL | ORIGINAL BALANCE | 0-30 | | 31-60 | | 61-90 | | 90+ | | Tot DQ % | COLLECTIONS | | WRITE OFFS | | Tot W/O % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | PBAL | % | PBAL | % | PBAL | % | PBAL | % | | PBAL | % | PBAL | % | |
| | TOTAL | | 29,697,074 | 124,564,418 | 27,603,742 | 92.95% | 929,549 | 3.13% | 671,251 | 2.26% | 492,531 | 1.66% | 7.05% | 8,619,484 | 6.92% | 4,758,307 | 3.82% | 10.74% |

**AUGUST 11' NON-SIDE POCKET PORTFOLIO**

| CLIENT | PORT | MONTH PURCH | TOTAL PBAL | ORIGINAL BALANCE | 0-30 | | 31-60 | | 61-90 | | 90+ | | Tot DQ % | COLLECTIONS | | WRITE OFFS | | Tot W/O % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | PBAL | % | PBAL | % | PBAL | % | PBAL | % | | PBAL | % | PBAL | % | |
| | TOTAL | | 11,381,656 | 82,977,713 | 10,924,354 | 95.98% | 168,503 | 1.48% | 155,573 | 1.37% | 133,227 | 1.17% | 4.02% | 4,398,742 | 5.30% | 1,596,851 | 1.92% | 7.23% |

# Portfolio Challenges and Opportunities Ahead

- Completed sale of charge-off Home Improvement Assets
  - ~$350K in net sales proceeds
- Experiencing slight increase in "consistent delinquency" along with some defaults from the Home Improvement segment
- Expect continued "ups and downs" for the near term
  - September defaults look to come in lower, near the June level
  - October defaults look to come in higher, perhaps even higher than August
  - November defaults look to come in lower again
  - Too early to tell for December
- Overall with the $263K addition to loss reserve for CAC, we do not expect to need further additions to reserve for SCRF overall

# Financial Statement Review



# Summit Consumer Receivables Fund, L.P. and Affiliates
## Consolidated Balance Sheet
### July 31, 2011

SUMMIT ALTERNATIVE INVESTMENTS LLC

**Assets**

| | |
|---|---|
| Cash | $ 17,097 |
| Restricted Cash | 1,061,918 |
| Receivables From Servicing Companies | 225,683 |
| Prepaid Expenses | 106,398 |
| Investment in Consumer Debt Portfolios | 29,670,274 |
| Investment in SSPE, LLC | 0 |
| Investment in SSPE FCC, LLC | 0 |
| Fixed Assets, Net | 36,000 |
| Other Assets | 7,953 |
| **Total Assets** | $ 31,125,322 |

**Liabilities & Partners' Capital**

**Liabilities**

| | |
|---|---|
| Accounts Payable & Accrued Expenses | $ 66,559 |
| Loans Payable | 16,874,450 |
| **Total Liabilities** | $ 16,941,009 |

**Partners' Capital**

| | |
|---|---|
| Partners' Contributions/Distributions | $ 10,348,106 |
| Retained Earnings | 2,888,841 |
| Current Year Earnings | 947,366 |
| **Total Partners' Capital** | $ 14,184,313 |
| **Total Liabilities & Partners' Capital** | $ 31,125,322 |

# Summit Consumer Receivables Fund, L.P. and Affiliates
## Consolidated Income Statement
### July 31, 2011

SUMMIT ALTERNATIVE INVESTMENTS LLC

| | | |
|---|---|---|
| **Revenue** | | |
| Investment in Ordinary Income | $ | 622,913 |
| Investment Interest Income | | 1,606,452 |
| Allowance for Credit Losses | | -70,000 |
| **Total Revenue** | $ | 2,159,365 |
| **Expenses** | | |
| Interest Expense | $ | 669,958 |
| Office Expenses | | 113,846 |
| Travel, Meal & Entertainment | | 1,866 |
| Professional Fees | | 123,855 |
| Payroll | | 302,474 |
| Overhead Expense Allocation | | 0 |
| **Total Expenses** | $ | 1,211,999 |
| **Net Income** | $ | 947,366 |

# CASH FORECAST

- September, 2013 is the estimated Fortress payoff date with all surplus cash applied to the loan
  - This happens to be the loan due date
  - Contingent upon the current default/prepayment forecast
  - Actual payoff date may vary resulting in a need for ~$250-750K of short-term financing…
  - Conversely, we may be able to repay Fortress a few months early

- Estimated cash remaining after pay down of the loan: $18.5M

- Estimated cash remaining after payment of all redemptions currently pending: $4.7M

# Financial Q&A

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# Consolidated Returns

SUMMIT ALTERNATIVE INVESTMENTS LLC

## SCRF, L.P. return statistics through July, 2011:

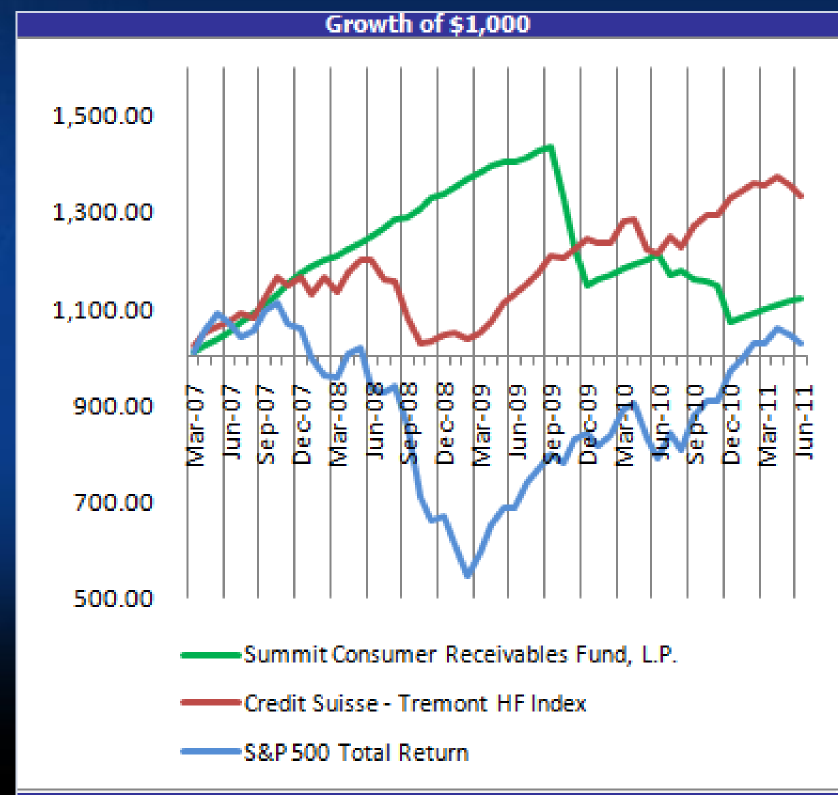
- 12.69% total return since inception
- 2.74% annualized return since inception
- 2010 return: -6.69% vs. 2009 return: -14.34%
- 2011 YTD return: 5.16% (6.78% annualized including  future CAC addition to reserve)

## CSFB/Tremont Hedge Fund Index:

- 33.49% return since inception
- 6.76% annualized return since inception
- 2010 return: 10.95% vs. 2009 return: 18.57%
- 2011 YTD return: 0.35% (0.59% annualized)

## Merrill Lynch US High-Yield Index:

- 41.63% return since inception
- 8.20% annualized return since inception
- 2010 return: 15.19% vs. 2009 return: 57.51%
- 2011 YTD return: 6.23% (10.91% annualized)



# NON-SIDE POCKET RETURNS

SCRF, L.P. return statistics through July, 2011:

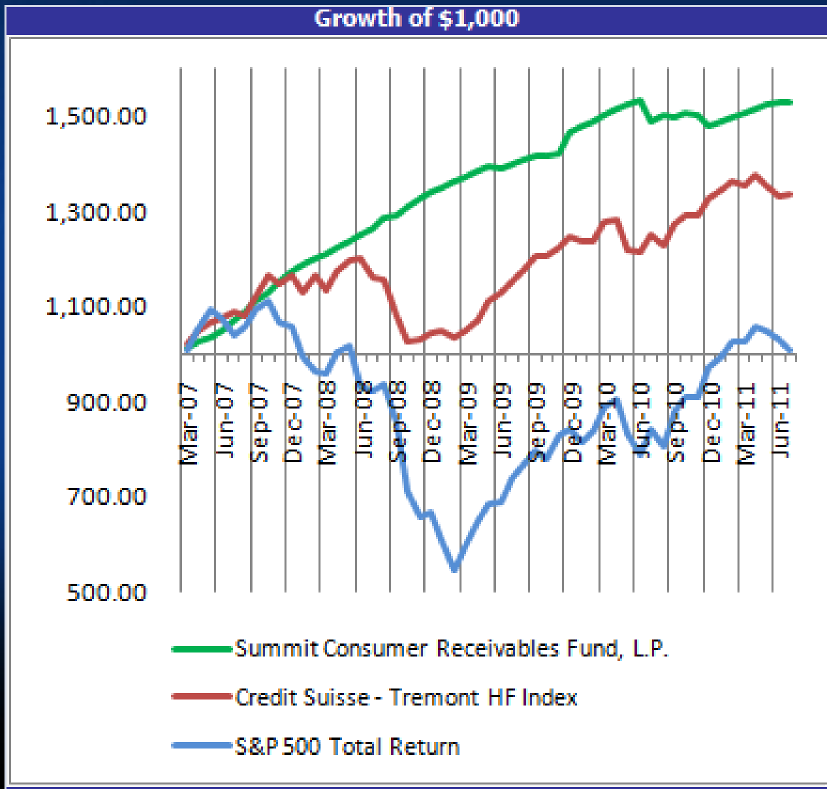
- 53.01% total return since inception
- 10.11% annualized return since inception
- 2010 return: 0.92% vs. 2009 return: 9.37%
- 2011 YTD return: 3.40% (3.96% annualized including  future CAC addition to reserve)

S&P 500 Total Return:

- 0.93% total return since inception
- 0.21% annualized return since inception
- 2010 return: 15.06% vs. 2009 return: 26.46%
- 2011 YTD return: 3.87% (6.72% annualized)

Nasdaq 100 Index:

- 36.50% return since inception
- 7.30% annualized return since inception
- 2010 return: 19.93% vs. 2009 return: 54.67%
- 2011 YTD return: 6.50% (11.40% annualized)



# Closing Remarks

- Summit is still in good shape compared to last year and the year before — and look to have a profitable 2011
- We are well-protected against the possibility of hitting default triggers
- Although defaults have moved upwards again, we are hopeful that this is a bubble and not the "new normal"…the first half of the year was very strong
- We are close to our first deal with a game-changing potential Investor which could materially reduce O/H costs for SCRF
- If you have any suggestions for ways we can improve communications with you, please let us know!

# Q&A