



AGL&F NONAPPROPRIATION AND DEFAULT SURVEY

A Survey of the Municipal Leasing Industry

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Introduction

In view of the growing interest in the municipal leasing industry and in response to the requests of the AGL&F membership and others, this survey was undertaken to quantify the industry-wide rates of municipal leasing nonappropriations and defaults and to glean the pertinent data related to this area of municipal leasing.

The questions on the survey were prepared in conjunction with a major bond rating agency. The population from which the following information was gathered is the current membership of the AGL&F.

The last time the AGL&F conducted a municipal industry survey was in 1994. This survey, however, for the first time focuses almost exclusively on our members' experience with municipal lease defaults and nonappropriations.

The leadership of the AGL&F is confident that the numbers and analyses presented here are reasonable, accurate and reflect the true scope of incidents of nonappropriations and defaults.

Confidentiality

In the interests of confidentiality, the names of all corporations and municipalities contributing to and/or mentioned in this survey have been withheld from this summary.

Appreciation

The AGL&F expresses its deep gratitude for the tremendous response to this survey and the patience of the respondents during the tedious follow-up effort. The support provided by the industry has ensured that these results are as complete and accurate as they can be.



Survey Results: Highlights and Summary

Highlights:

- ◆ The total number of municipal lease transactions represented in the survey: **78,176**
- ◆ The total \$ volume of all municipal leases represented in the survey: **\$12,730,890,000.**
- ◆ The percent of nonappropriations by \$ volume: **.06%**
- ◆ The percent of nonappropriations by number of transactions: **.03%**
- ◆ The percent of defaults by \$ volume: **.12%**
- ◆ The percent of defaults by number of transactions: **.01%**
- ◆ No single lessee was named for more than one event of nonappropriation or default.
- ◆ None of the reported nonappropriations or default incidents involved rated or insured issuers.

Summary

	Nonappropriations	Defaults
Number of Incidents	23	11
Number of Companies with Multiple Incidents	5	3
Most Reported by One Company	8	6
Types of Municipalities with Most Incidents	School Districts	Hospitals, Fire Districts
Most Frequent Reason for Incident	Lessee Fiscal Condition	Lessee Fiscal Condition
Transaction \$ Value of Largest Incident	\$3,500,000	\$4,350,000
Transaction \$ Value of Smallest Incident	\$36,000	\$18,000



I. Basic Facts -- Summary

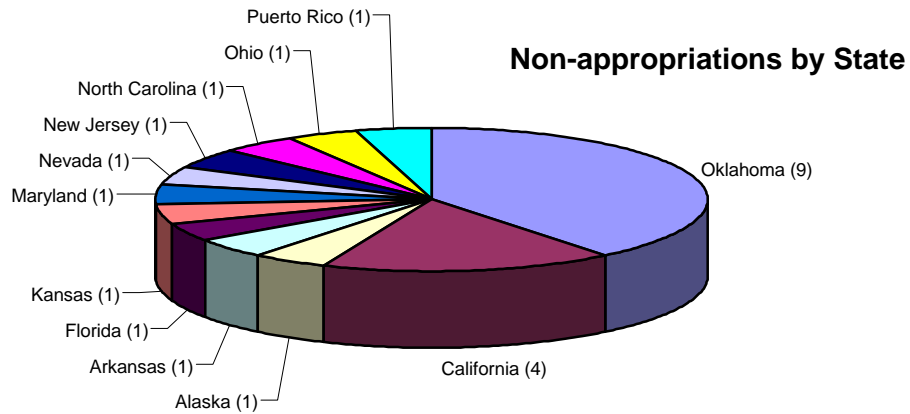
1. Sent to all current AGL&F member corporations and municipalities: 256 members representing 145 organizations
2. Response Rate: 83 members (representing 57 organizations) responded, providing a 32% response rate.
3. We categorized companies as either “investor” or “processor”.
 - “Investor” categories are comprised of mutual funds, commercial banks, corporate investors, captive lessors, and municipal funds that purchase municipal leases for their own accounts. Percent of investor respondents: 44%
 - “Processor” categories are comprised of investment banks, municipalities, financial advisors and leasing companies that originate, structure and/or process municipal leases for sale or assignment purposes. Percent of processor respondents: 56%
4. Current members who previously were employed by organizations which are no longer represented in the AGL&F or which are no longer involved in municipal leasing were invited to respond on behalf of their previous employers.

II. Statistics for Respondents Reporting No Defaults or Nonappropriations

1. Minimum number of years municipal leasing experience recorded: 2
2. Maximum number of years municipal leasing experience recorded: 26
3. Average number of years municipal leasing experience recorded: 10.3
4. Largest number of transactions of municipal leases recorded: 5500
5. Smallest number of transactions of municipal leases recorded: 14
6. Average number of transactions of municipal leases recorded: 591

III. Nonappropriations Statistics

1. Number of companies reporting nonappropriations: 10
2. Number of incidents reported: 23
3. Number of companies responding with multiple incidents: 5
4. Most number incidents reported by a single company: 8



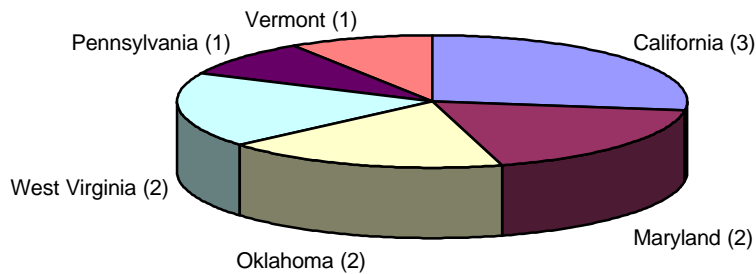
5. Reasons for nonappropriations (and number of incidents):
 - ◆ Lessee's fiscal condition (4)
 - ◆ Loss of Federal funding (3)
 - ◆ Equipment not needed (2)
 - ◆ Fraud (2)
 - ◆ Vendor non-performance (3)
 - ◆ Change in Commissioners (1)
 - ◆ Consolidation (1)
 - ◆ Equipment non-performance (2)
 - ◆ Functional Responsibility Removed (1)
 - ◆ Misrepresentation (1)
 - ◆ Substituted Equipment (1)
 - ◆ Unessential Asset (1)
6. Of 23 nonappropriations, 21 involved equipment and 2 involved real estate.
7. Nonappropriations incidents reported occurred between 1982 and 1998.
8. Types of municipalities with the most incidents reported (and number of incidents):
 - ◆ School District (12)
 - ◆ City (3)
 - ◆ State University (3)
 - ◆ County (2)
 - ◆ Municipal Hospital (2)
 - ◆ Fire District (1)



IV. Default Statistics

1. Number of companies reporting defaults: 4
2. Number of incidents reported: 11
3. Number of companies responding with multiple incidents: 3
4. Most number incidents reported by a single company: 6

Defaults by State



5. All defaults reported included equipment. 27% of those also included a real estate component.
6. Types of municipalities (and number of incidents reported):
 - ◆ Fire Districts (3)
 - ◆ Municipal Hospitals (3)
 - ◆ Cities (2)
 - ◆ School Districts (2)
 - ◆ Volunteer Fire Department (1)
7. Default incidents reported occurred between 1991 and 1998
8. Reasons for which default incidents occurred (and number of incidents):
 - ◆ Lessee fiscal condition (6)
 - ◆ Vendor non-performance (3)
 - ◆ Bankruptcy (1)