

## Foliolnsight Report

### Comparison Analysis for Allied Capital Portfolio

**Prepared for Greenlight Capital**

June 23, 2002

BancLab

## DATA SELECTION CRITERIA

### Comparison Analysis for Allied Capital Portfolio

This report provides portfolio performance statistics for small business loans meeting the following criteria:

**Allied Capital Pool:**

- ✓ Loans originated by Allied Capital Lending Corp., Business Loan Center, and Allied Lending Corp.
- ✓ Loans originated between FY1998 and FY2001

**Peer Pool:**

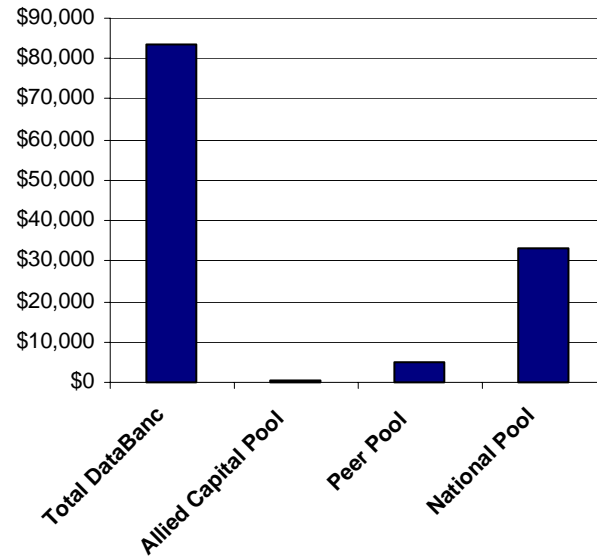
- ✓ Loans with approximately the same maturity, size, region, and industry classification as the Allied Capital Pool
- ✓ Loans originated between FY1998 and FY2001

**National Pool:**

- ✓ Loans originated across all lenders
- ✓ Loans originated between FY1998 and FY2001

Figure 1.

*\$ millions* **Selected Data to Total DataBanc**



## FOLIOINSIGHT REPORTS

### Comparison Analysis for Allied Capital Portfolio

### **FolioInsight Reports**

BancLab LLC provides credit risk analytics for small business lending. Drawing on DataBanc, its proprietary loan performance database, BancLab offers a suite of credit risk measurement tools that provide insight into small business lending risks. DataBanc includes transactional loan performance data on over 400,000 small business loans originated from 1988 through 2001 through the Small Business Administration's 7(a) General Business Loan Program. The use of common underwriting standards on a national scale over a full business cycle enables BancLab to offer customers unparalleled insight into small business loan performance

Drawing on the historical performance of SBA-guaranteed loans, FolioInsight Reports provide default, recovery, loss, and prepayment information by customized risk factors. Using stratified sampling to create benchmark portfolios optimized on key risk factors, BancLab also allows clients to create benchmark pools that most closely represent their target portfolio.

#### **Disclaimer**

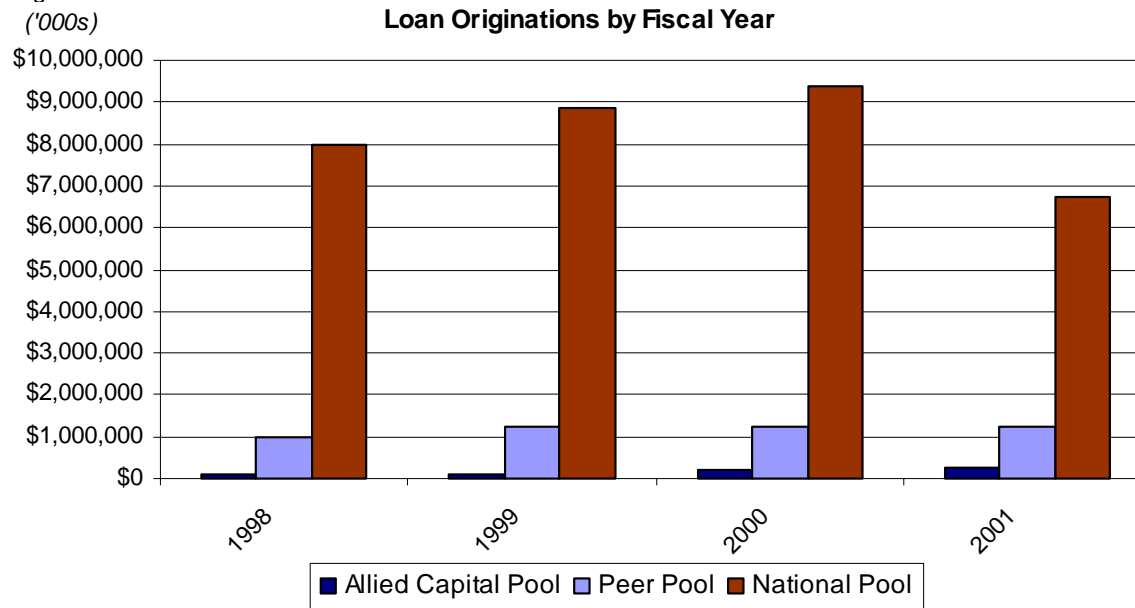
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## LOAN ORIGINATIONS Comparison Analysis for Allied Capital Portfolio

Table 1.

('000s)	<u>Allied Capital Pool</u>	<u>Peer Pool</u>	<u>National Pool</u>
<b>1998</b>	\$117,935	\$998,713	\$7,962,171
<b>1999</b>	\$112,581	\$1,236,308	\$8,873,737
<b>2000</b>	\$194,952	\$1,261,131	\$9,400,672
<b>2001</b>	\$236,745	\$1,241,259	\$6,738,605
<i>Total</i>	\$662,214	\$4,737,411	\$32,975,184

Figure 2.  
('000s)



## DEMOGRAPHIC PROFILE

### Comparison Analysis for Allied Capital Portfolio

Table 2.

	<u>Allied Capital Pool</u>	<u>Peer Pool</u>	<u>National Pool</u>
<b>Total originations</b>	\$662,213,759	\$2,877,372,997	\$32,975,185,364
<b>Total originations (loans)</b>	1,065	4,654	146,718
<b>Average loan size</b>	\$621,797	\$618,258	\$224,752
<b><u>Loan Size Profile</u></b>			
Under \$100K	0.2%	0.2%	9.1%
\$100 - 250K	4.6%	5.0%	20.0%
\$251 - 500K	13.8%	15.3%	22.6%
\$501 - 750K	19.6%	18.4%	16.2%
Over \$750K	61.8%	61.1%	32.1%
<b><u>Maturity Profile</u></b>			
1 Year & Under	0.0%	0.0%	2.9%
1-7 Years	0.3%	0.2%	20.4%
7-10 Years	5.5%	6.0%	20.1%
10-15 Years	11.0%	9.5%	9.9%
Over 15 Years	83.2%	84.3%	46.8%
<b><u>Geographic Profile</u></b>			
New England	3.3%	3.3%	5.6%
Middle Atlantic	22.4%	21.7%	11.0%
East North Central	17.3%	14.9%	10.3%
West North Central	3.9%	4.1%	6.0%
South Atlantic	32.4%	35.3%	14.5%
East South Central	6.8%	5.4%	3.6%
West South Central	9.7%	10.3%	14.8%
Mountain	3.8%	4.3%	9.6%
Pacific	0.6%	0.6%	23.5%
Other	0.0%	0.0%	1.1%
<b><u>Industry Profile</u></b>			
Agriculture	5.0%	4.3%	2.7%
Construction	1.5%	1.2%	4.1%
Manufacturing	4.1%	4.8%	13.1%
Retail Trade	25.0%	27.5%	26.7%
Services	31.6%	35.8%	30.9%
Transportation	1.8%	1.7%	2.7%
Wholesale Trade	1.9%	2.0%	7.1%
Other	29.2%	22.6%	12.8%

## DEMOGRAPHIC PROFILE Comparison Analysis for Allied Capital Portfolio

Figure 3.  
'000s

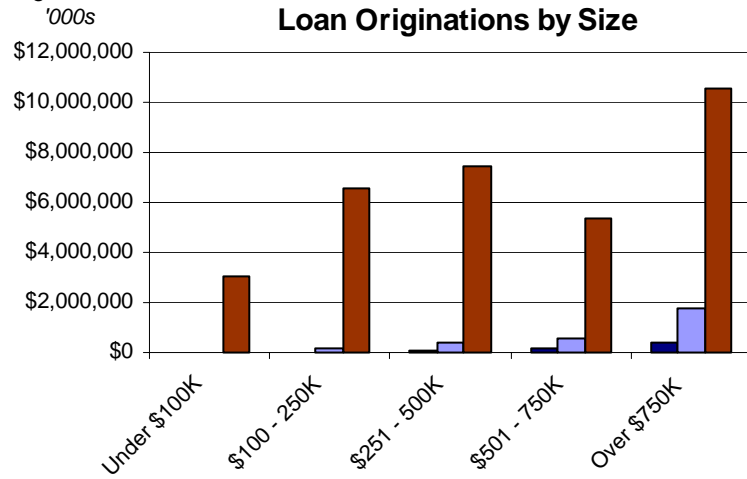


Figure 5.  
'000s

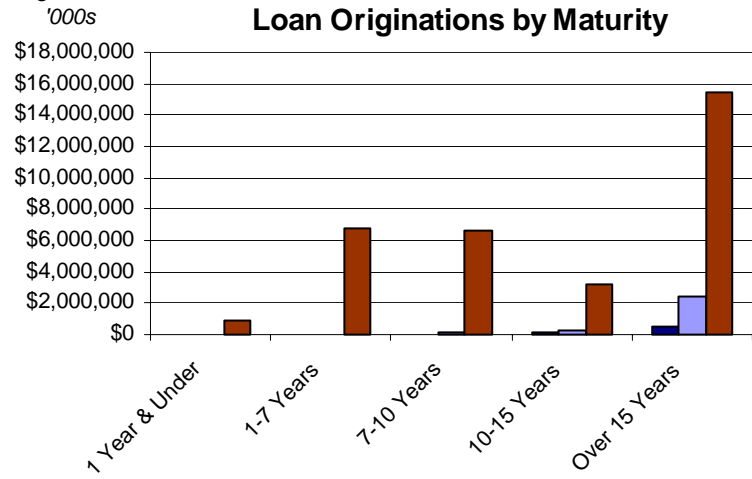


Figure 4.  
'000s

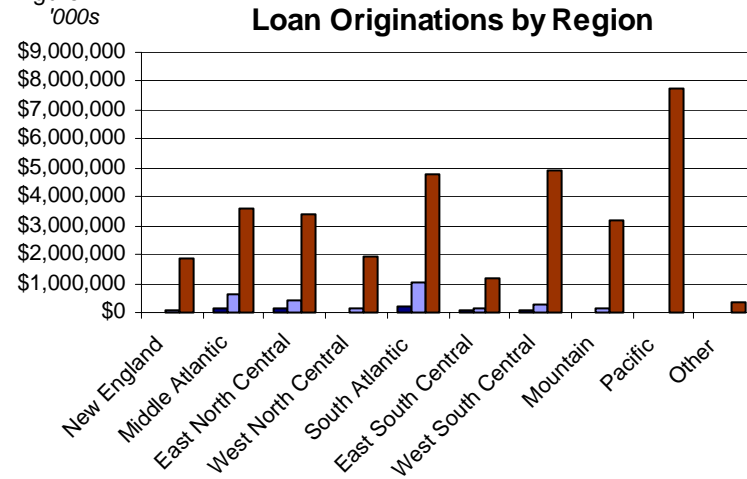
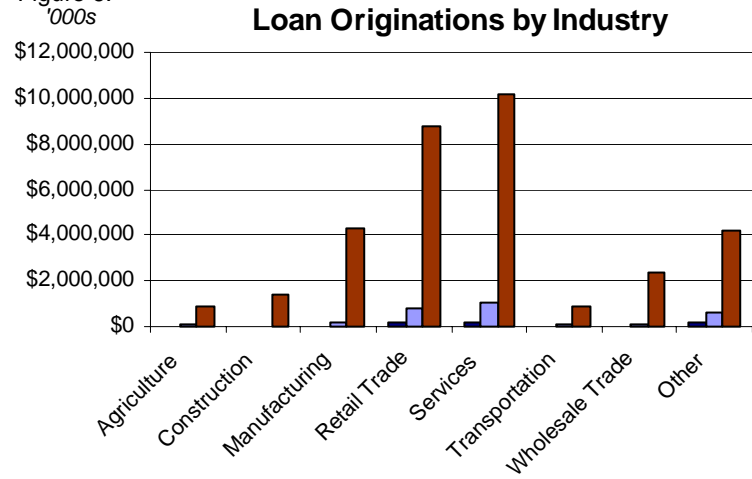


Figure 6.  
'000s



■ Allied Capital Pool 
 ■ Peer Pool 
 ■ National Pool

## AVERAGE ANNUAL DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

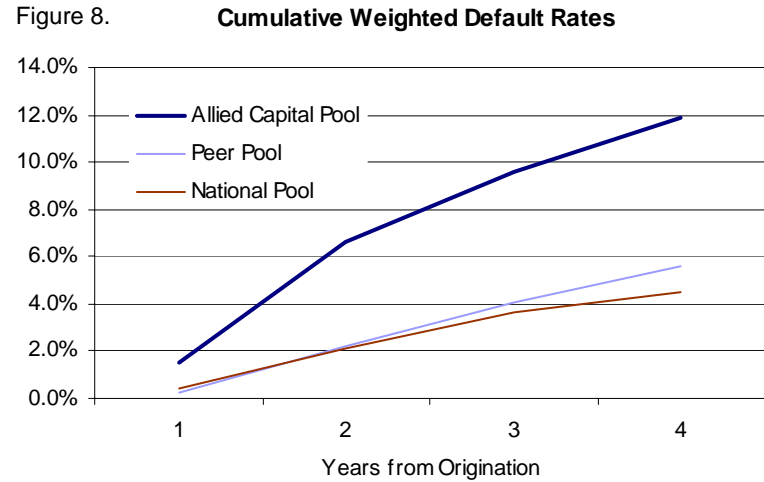
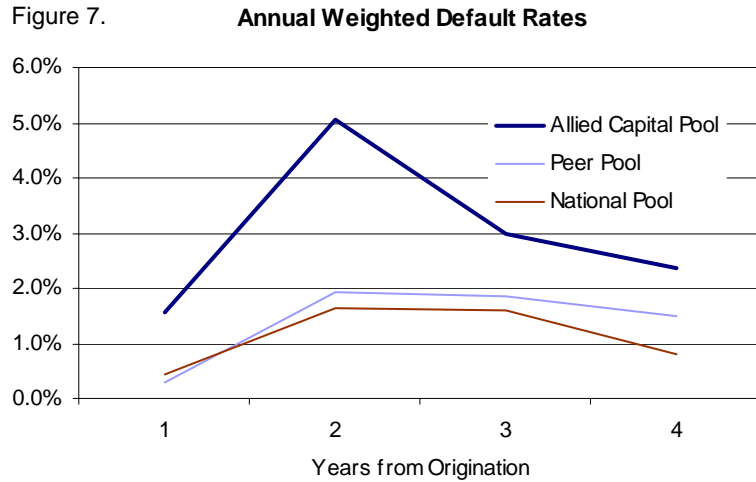


Table 3.

		Years from Origination			
		1	2	3	4
<b>Allied Capital Pool</b>	Annual	1.5%	5.0%	3.0%	2.4%
	Cumulative	1.5%	6.6%	9.6%	11.9%
<b>Peer Pool</b>	Annual	0.3%	1.9%	1.9%	1.5%
	Cumulative	0.3%	2.2%	4.1%	5.6%
<b>National Pool</b>	Annual	0.4%	1.7%	1.6%	0.8%
	Cumulative	0.4%	2.1%	3.7%	4.5%

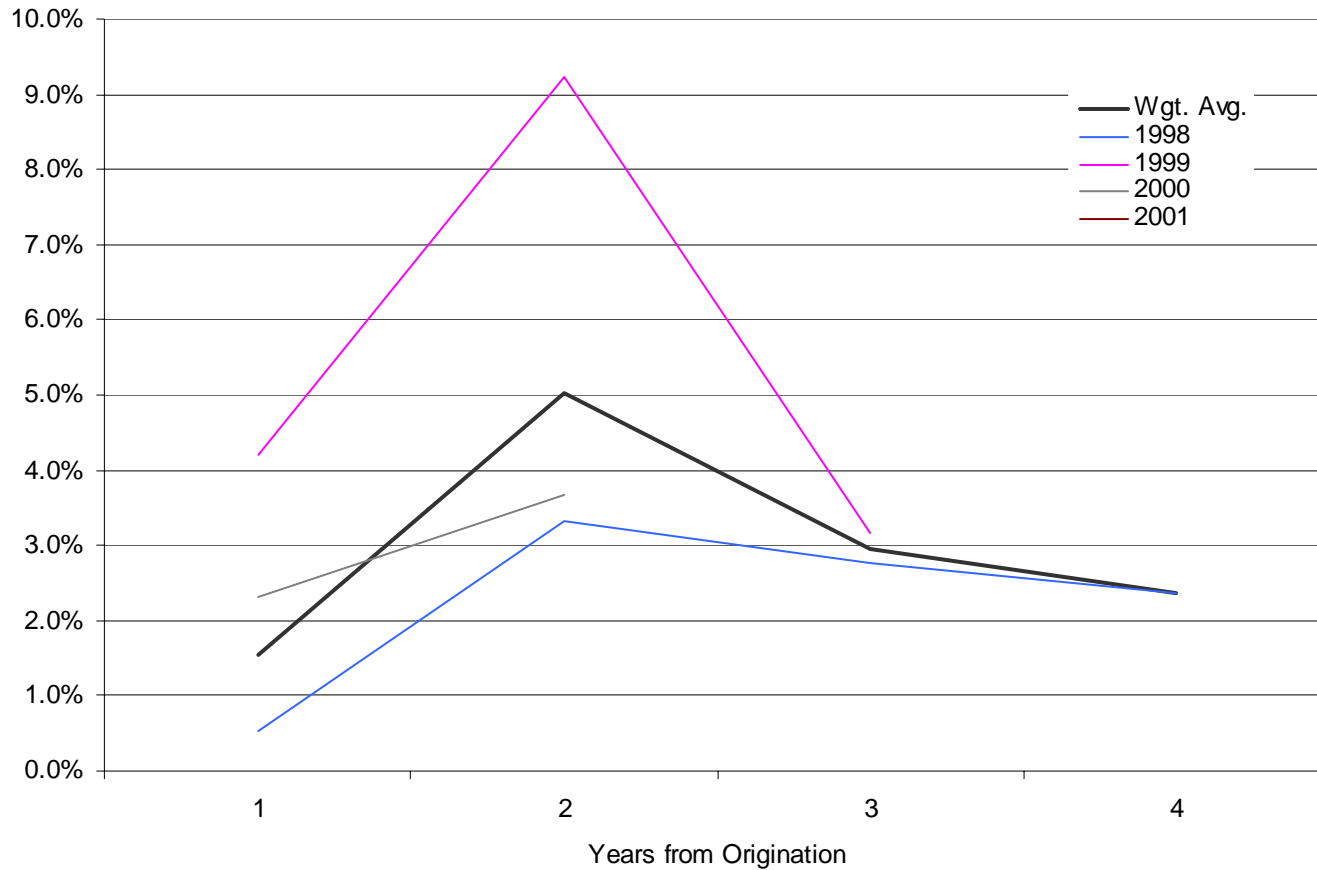
Loan defaults are tracked on a static pool basis from the time of origination. For example, a loan defaulting in the 18th month after the initial loan disbursement will be reported as a default occurring in the second year.

# ANNUAL DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

## Allied Capital Pool

Figure 9.

Annual Default Rates by Static Pool





## ANNUAL DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

### Allied Capital Pool

Table 4.

#### Annual Default Rates by Static Pool

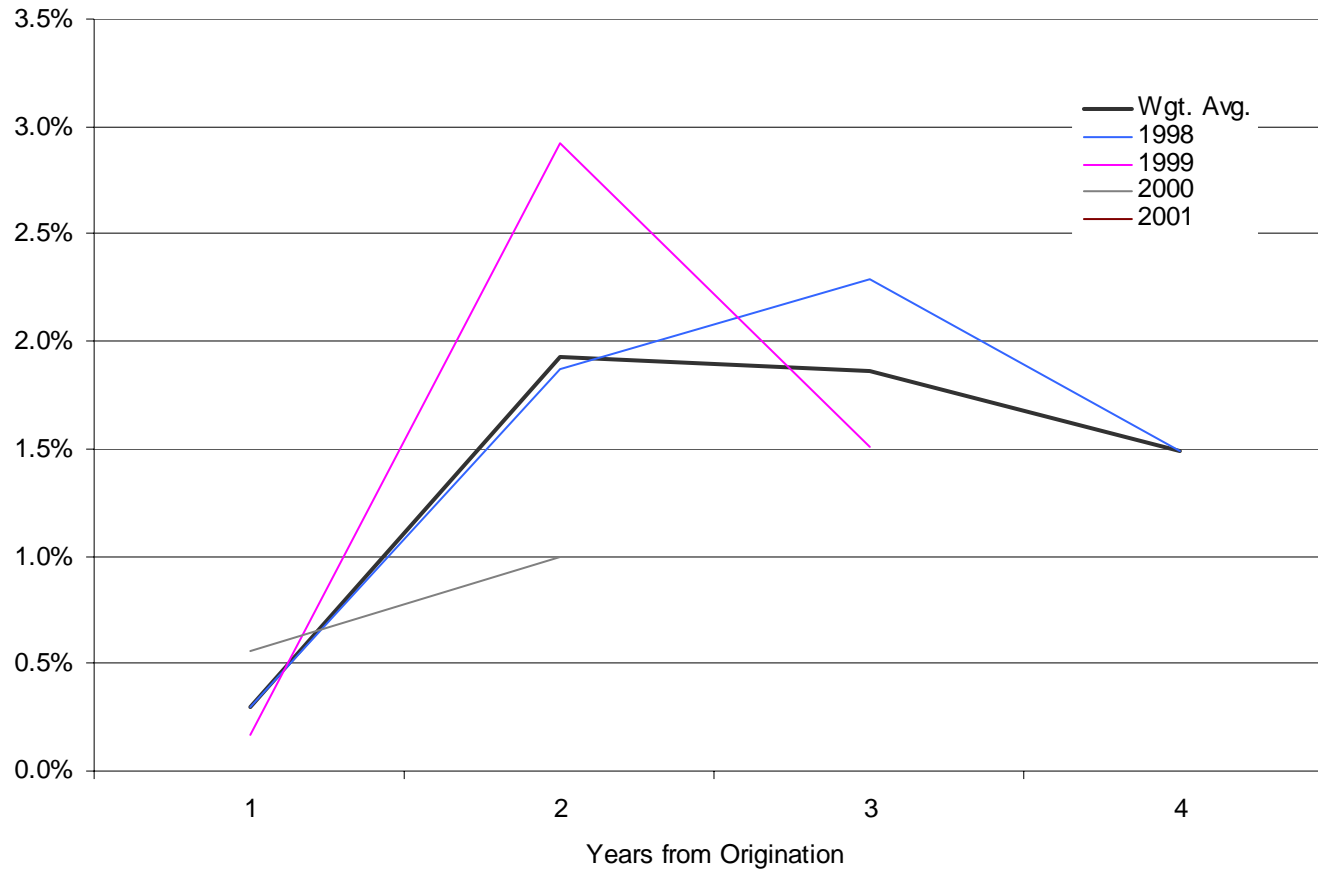
Age	1998	1999	2000	2001	<i>Weighted Average</i>
1	0.5%	4.2%	2.3%	0.2%	1.5%
2	3.3%	9.2%	3.7%		5.0%
3	2.8%	3.2%			3.0%
4	2.4%				2.4%
Total	9.0%	16.6%	6.0%	0.2%	11.9%

# ANNUAL DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

## Peer Pool

Figure 10.

Annual Default Rates by Static Pool



## ANNUAL DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

### Peer Pool

Table 5.

#### Annual Default Rates by Static Pool

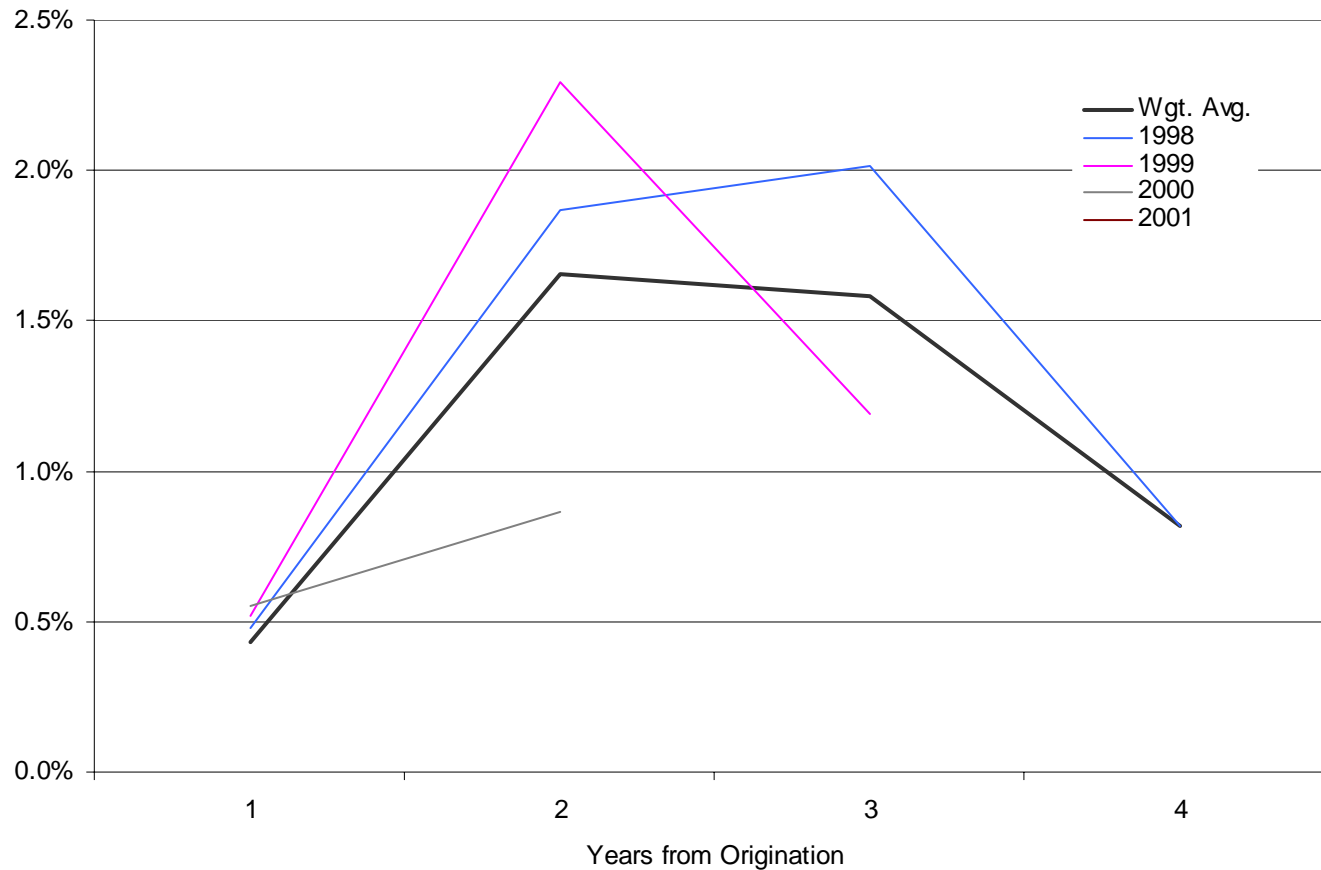
Age	1998	1999	2000	2001	<i>Weighted Average</i>
1	0.3%	0.2%	0.6%	0.2%	0.3%
2	1.9%	2.9%	1.0%		1.9%
3	2.3%	1.5%			1.9%
4	1.5%				1.5%
Total	6.0%	4.6%	1.6%	0.2%	5.6%

# ANNUAL DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

## National Pool

Figure 11.

Annual Default Rates by Static Pool



## ANNUAL DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

### National Pool

Table 6.

#### Annual Default Rates by Static Pool

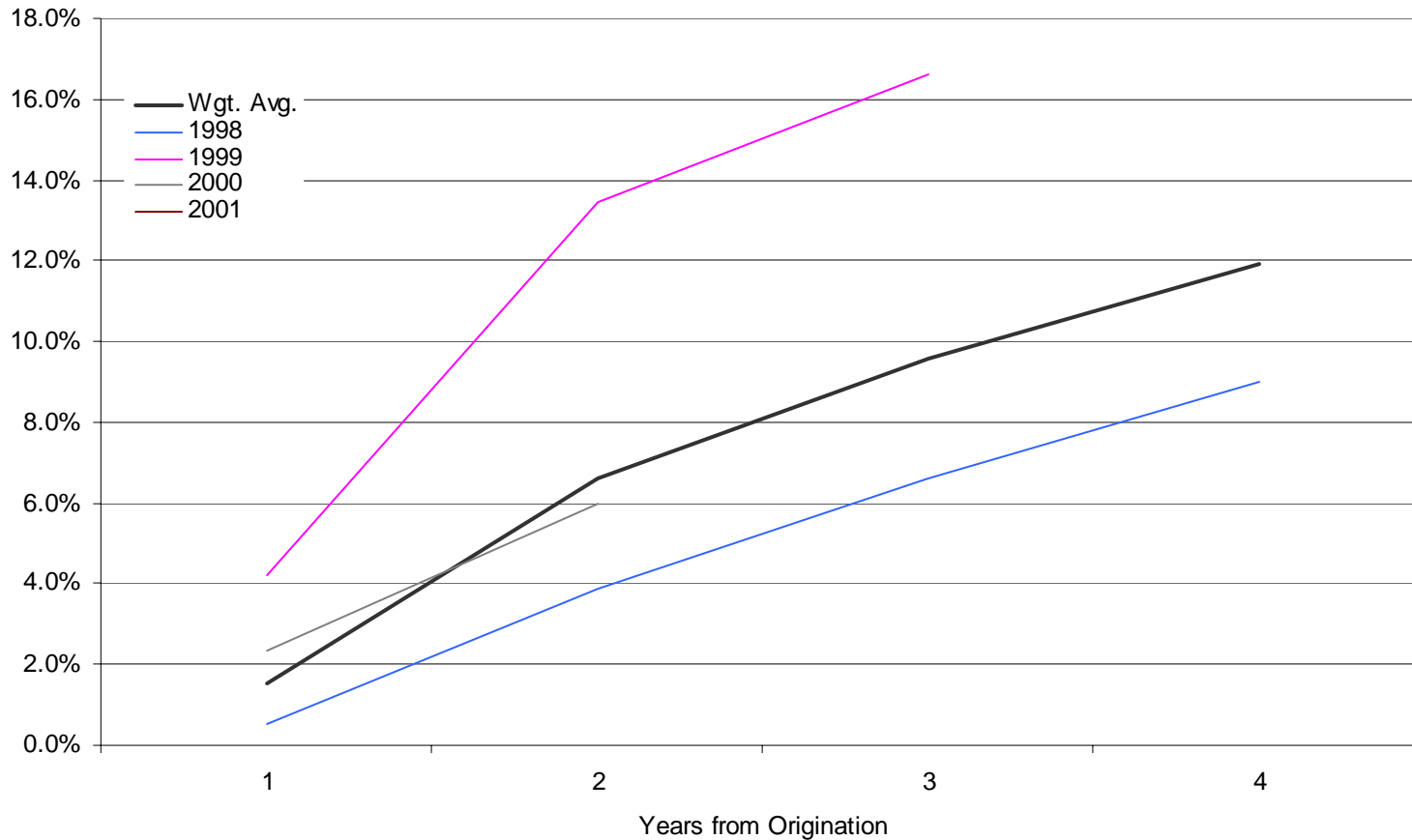
Age	1998	1999	2000	2001	<i>Weighted Average</i>
1	0.5%	0.5%	0.6%	0.1%	0.4%
2	1.9%	2.3%	0.9%		1.7%
3	2.0%	1.2%			1.6%
4	0.8%				0.8%
Total	5.2%	4.0%	1.4%	0.1%	4.5%

# CUMULATIVE DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

## Allied Capital Pool

Figure 12.

Cumulative Default Rates by Static Pool



## CUMULATIVE DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

### Allied Capital Pool

Table 7.

#### Cumulative Default Rates by Static Pool

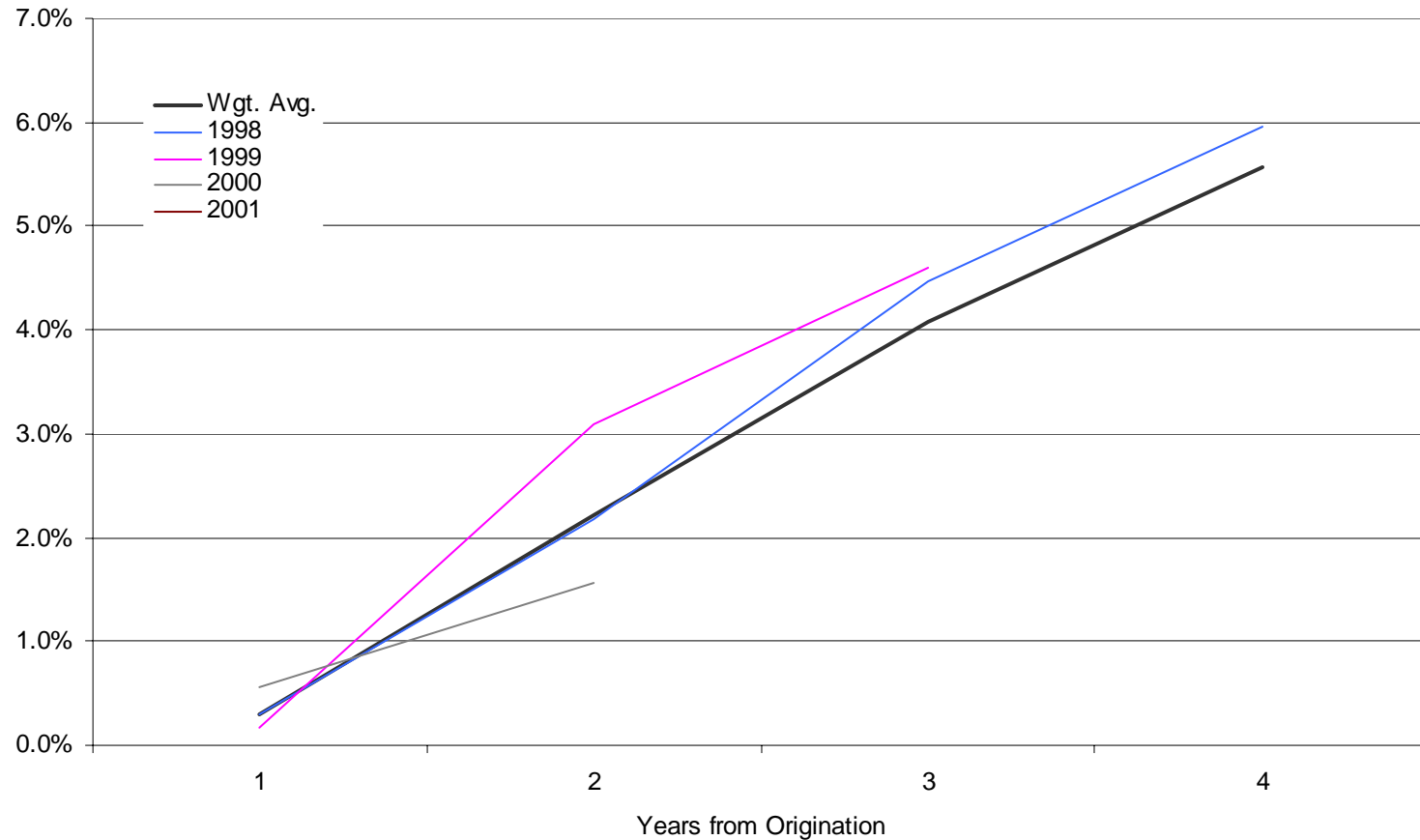
Age	1998	1999	2000	2001	<i>Weighted Average</i>
1	0.5%	4.2%	2.3%	0.2%	1.5%
2	3.9%	13.4%	6.0%		6.6%
3	6.6%	16.6%			9.6%
4	9.0%				11.9%

# CUMULATIVE DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

## Peer Pool

Figure 13.

### Cumulative Default Rates by Static Pool





## CUMULATIVE DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

### Peer Pool

Table 8.

#### Cumulative Default Rates by Static Pool

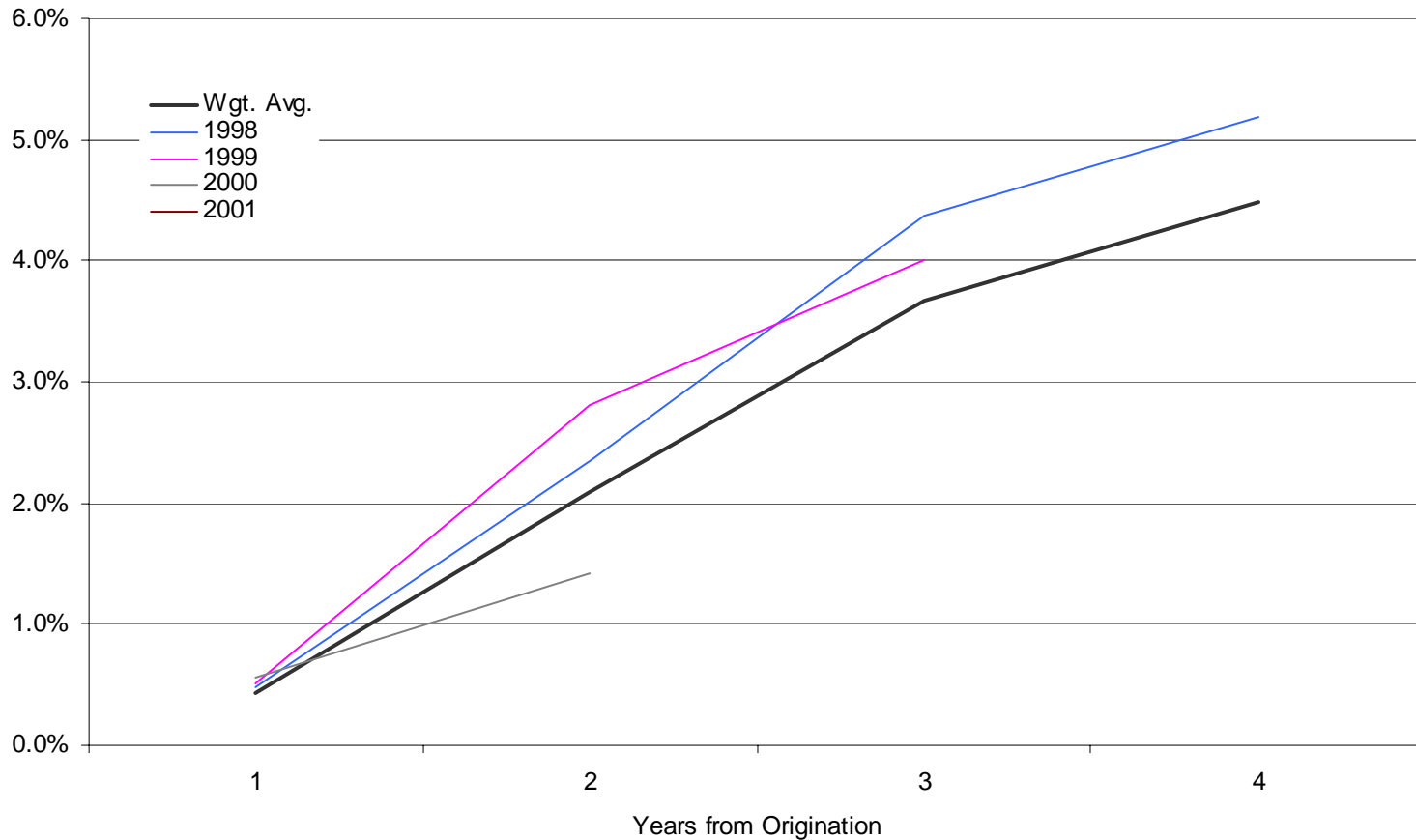
Age	1998	1999	2000	2001	<i>Weighted Average</i>
1	0.3%	0.2%	0.6%	0.2%	0.3%
2	2.2%	3.1%	1.6%		2.2%
3	4.5%	4.6%			4.1%
4	6.0%				5.6%

# CUMULATIVE DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

## National Pool

Figure 14.

Cumulative Default Rates by Static Pool



## CUMULATIVE DEFAULT RATES Comparison Analysis for Allied Capital Portfolio

### National Pool

Table 9.

#### Cumulative Default Rates by Static Pool

Age	1998	1999	2000	2001	<i>Weighted Average</i>
1	0.5%	0.5%	0.6%	0.1%	0.4%
2	2.3%	2.8%	1.4%		2.1%
3	4.4%	4.0%			3.7%
4	5.2%				4.5%

## AVERAGE RECOVERY RATES Comparison Analysis for Allied Capital Portfolio

Figure 15. Average Weighted Annual Recoveries

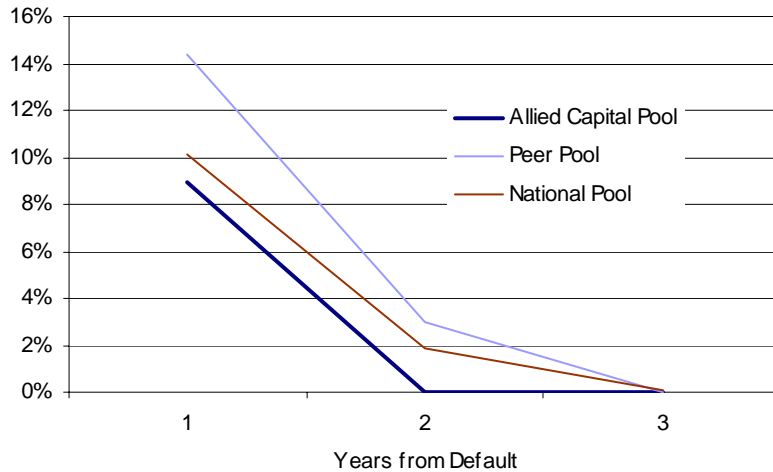
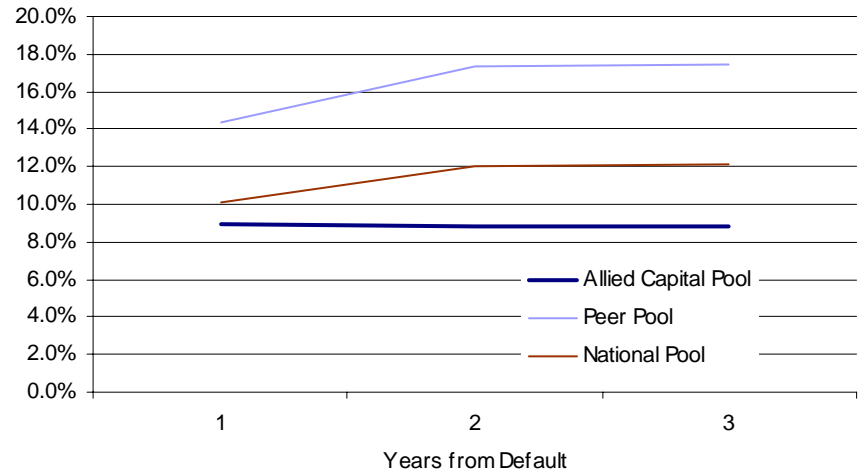


Figure 16. Average Weighted Cumulative Recoveries



Recoveries are tracked on a static pool basis *from the year of default*. (Note that this differs from static pools created for defaults and losses, which are formed based on the year of loan origination.) Recoveries of principal and interest—net of expenses—are expressed as a percent of defaulted principal on an undiscounted basis. The recovery distribution represents two types of recoveries: (1) those from the liquidation of collateral and (2) repayments over time from restructured loans. Recovery timing is tracked from the point of default.

## TIMING OF RECOVERIES Comparison Analysis for Allied Capital Portfolio

### Allied Capital Pool

Table 10.

#### Total Defaults by Fiscal Year Across Static Pools

(\$000)	1999	2000	2001	<i>Average</i>
Amount	\$2,975	\$8,136	\$29,360	\$13,491
Number	4	11	47	21

#### Timing of Principal Recoveries from Year of Default

Years from Default	1999	2000	2001	<i>Weighted Average</i>
1	28.0%	26.4%	2.1%	8.9%
2	1.2%	-0.5%		0.0%
3				
Total	29.2%	25.9%	2.1%	8.9%

The above table shows all cash recoveries through the end of Federal fiscal year 2001, ending September 30, 2001. Cumulative recoveries on the most recent defaults will likely significantly increase as additional collections are made over time. As a result, the weighted average recovery rate likely understates the long-term cumulative recovery rate. Negative recoveries in a given year result from expenses exceeding collections.

## TIMING OF RECOVERIES

### Comparison Analysis for Allied Capital Portfolio

#### Peer Pool

Table 11.

#### Total Defaults by Fiscal Year Across Static Pools

(\$000)	1999	2000	2001	Average
Amount	\$11,834	\$34,867	\$88,996	\$45,232
Number	20	63	155	79

#### Timing of Principal Recoveries from Year of Default

Years from Default	1999	2000	2001	Weighted Average
1	23.5%	24.5%	9.2%	14.4%
2	22.7%	4.0%		3.0%
3	0.1%			0.0%
Total	46.3%	28.5%	9.2%	17.4%

## TIMING OF RECOVERIES

### Comparison Analysis for Allied Capital Portfolio

#### National Pool

Table 12.

#### Total Defaults by Fiscal Year Across Static Pools

(\$000)	1999	2000	2001	Average
Amount	\$106,988	\$273,858	\$517,880	\$299,575
Number	779	1748	2827	1,785

#### Timing of Principal Recoveries from Year of Default

Years from Default	1999	2000	2001	Weighted Average
1	13.6%	13.9%	7.5%	10.2%
2	7.0%	3.3%		1.9%
3	1.0%			0.1%
Total	21.6%	17.3%	7.5%	12.1%

## CUMULATIVE RECOVERY RATES Comparison Analysis for Allied Capital Portfolio

Figure 17. **Recoveries Received as a % of Defaulted Loan Amount  
Shown by Year of Default**

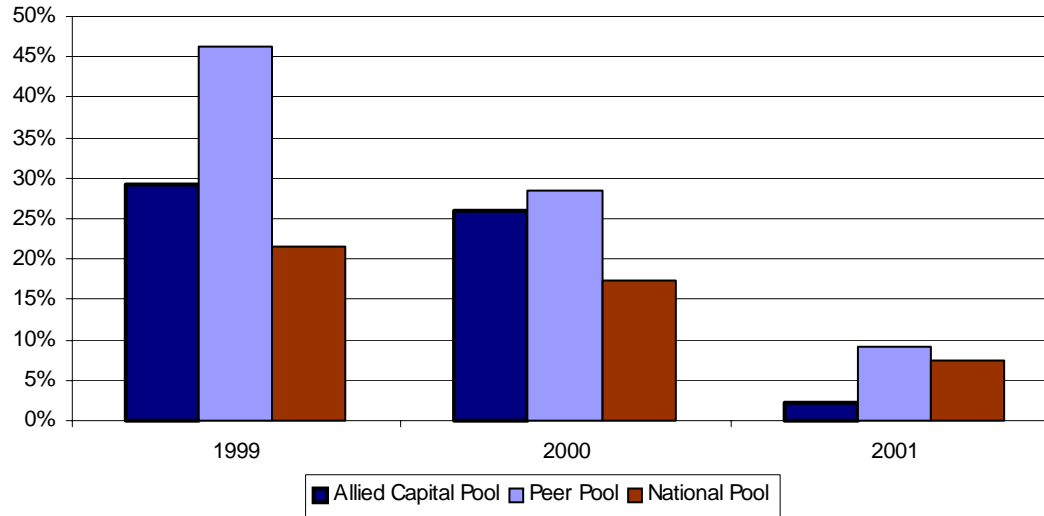


Table 13. **Recoveries as a % of Defaulted Loan Amount**

Default Year	Allied Capital Pool	Peer Pool	National Pool
1999	29.2%	46.3%	21.6%
2000	25.9%	28.5%	17.3%
2001	2.1%	9.2%	7.5%



## AVERAGE LOSS RATES Comparison Analysis for Allied Capital Portfolio

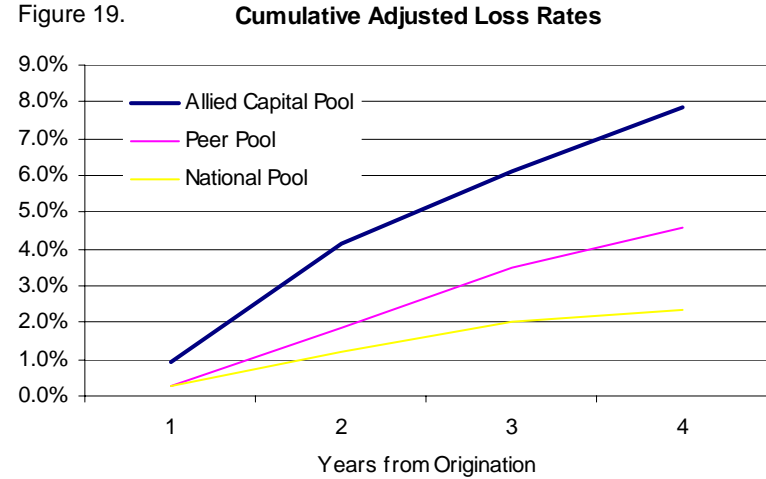
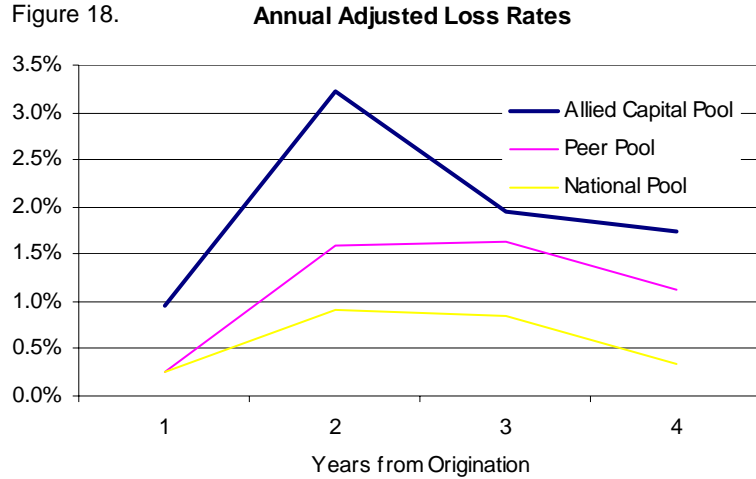


Table 14.

		<b>Years from Origination</b>			
		1	2	3	4
<b>Allied Capital Pool</b>	Annual	0.9%	3.2%	2.0%	1.7%
	Cumulative	0.9%	4.2%	6.1%	7.9%
<b>Peer Pool</b>	Annual	0.3%	1.6%	1.6%	1.1%
	Cumulative	0.3%	1.8%	3.5%	4.6%
<b>National Pool</b>	Annual	0.3%	0.9%	0.9%	0.3%
	Cumulative	0.3%	1.2%	2.0%	2.4%

Loan losses are tracked on a static pool basis from the time of origination. Unlike the recovery analysis, the loss curves represent the credit loss after adjusting for the *present value* of recoveries, discounted to the point of default at the borrower rate at the time of default. The loss curves likely understate long-term cumulative losses, as future recoveries are not projected.

## GLOSSARY

### Comparison Analysis for Allied Capital Portfolio

**Age.** Number of years from initial loan disbursement. For example, in the context of loan defaults, a loan defaulting in the 13th to 24th month after the initial loan disbursement will be classified as Age 2.

**Default.** Borrower is delinquent on any installment for 60 calendar days or more.

**Default Rate, Annual.** Static pool principal defaults by age expressed as a percent of the static pool principal balance at origination. The default rate does not include accrued interest.

**Default Rate, Cumulative.** Sum of annual defaults expressed as a percent of the static pool principal balance at origination.

**Loss Rate, Annual.** Static pool loss rates are calculated as defaults net of recoveries. Recoveries are discounted to the point of default using the borrower interest rate at default.

**Loss Rate, Cumulative.** Sum of annual losses expressed as a percent of the static pool principal balance at origination.

**Recoveries.** Collections—net of expenses—on defaulted loans, expressed on a cash (undiscounted) basis. Recoveries may result from the liquidation of collateral or debt restructuring.

**Recovery Rate, Annual.** Recoveries aggregated in 12-month increments from the point of default, expressed as a percent of the principal balance at default.

**Recovery Rate, Cumulative.** Sum of annual recoveries expressed as a percent of the principal balance at default.

**Static Pool.** All loans with initial disbursements in a given Federal fiscal year (October 1 – September 30).

**Years from Default.** Twelve-month increments from the point of default. For example, a recovery collected in the 22nd month will be reported as a collection in the second year from default.