

Asset-Backed
Criteria Report

**Understanding the Risks in
Dealer Floorplan ABS — An
Inventory Check**

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Fitch-Rated Issuers

- CNH Wholesale Master Note Trust (CNH Capital Corporation)
- DaimlerChrysler Master Owner Trust (DaimlerChrysler Financial Services Americas LLC)
- Ford Credit Floorplan Master Owner Trust (Ford Motor Credit Company)
- GE Dealer Floorplan Master Note Trust (General Electric Commercial Distribution Finance)
- Superior Wholesale Inventory Financing Trust (General Motors Acceptance Corp.)

Related Research

- “Dealer Floorplan Asset-Backed Securities – A Performance Review,” dated May 11, 2006.
- “Counterparty Risk in Structured Finance Transactions: Qualified Investments Criteria,” dated June 30, 2004.
- “Commingling Risk in Structured Finance Transactions,” dated June 9, 2004.
- “Special Purpose Vehicles in Structured Finance Transactions,” dated June 13, 2006.

■ Summary

The securitization of dealership inventory financing known as dealer floorplan asset-backed securitizations (ABS) is a niche asset class within the ABS market, with issuance of just under \$100 billion over the past decade. Since 2003, floorplan ABS issuance volume has accelerated, hitting a record level of issuance in 2005, reflecting the strong sales environment and corresponding increase in dealer financing needs. The creation of a floorplan receivable occurs when a dealership finances the purchase of inventory from a manufacturer through a secured loan with the inventory acting as collateral. The most common types of inventory backing floorplan transactions have included new and used cars and light trucks, heavy duty trucks, recreational vehicles, marine products, motor sport products, construction and agricultural equipment, consumer electronics and appliances, and manufactured housing. Whole goods intended for retail sale are most frequently seen securing loans, though parts, rental units, demonstrators, and dealer assets may also act as security. Floorplan loans are typically repaid following the retail sale of the inventory product or through scheduled monthly installments.

While structurally similar to credit card receivable-backed securitizations, floorplan ABS provide investors with the added protection of secured financing backed by hard and often liquid collateral. A majority of floorplan financings are further protected by manufacturer repurchase agreements, where the manufacturer may buy back the inventory if a dealer defaults on the underlying loan. On the other hand, floorplan deals often have risks associated with concentrations and event risk that require a somewhat unique approach.

Floorplan loans have historically exhibited rapid receivable turnover and very low losses due to the prudent sizing of credit lines (typically matching 60–90 day sales rates), generally strong sales environment, low dealer and manufacturer failure rates, and concentration limits. Performance and rating transition rates are exemplary within the asset class. No downgrades have been issued by Fitch Ratings in the history of the market. As a result of quick loan repayment, the securitizations are structured with an interest-only revolving period, during which principal payments are used to purchase additional receivables. Following the revolving period, there is a single “soft-bullet” paydown of principal on an expected final maturity date.

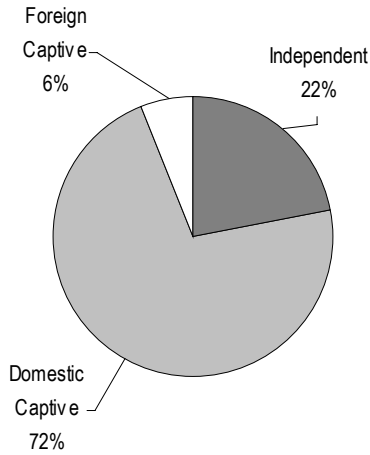
To protect investors from deteriorating asset performance and/or a bankruptcy or insolvency of the finance company or manufacturer or multiple dealerships, floorplan securitizations often include early amortization triggers tied to declines in loan repayment (monthly payment rate [MPR]), adverse migration in collateral composition, chargeoffs and/or excess spread, credit enhancement draws, and

December 20, 2006

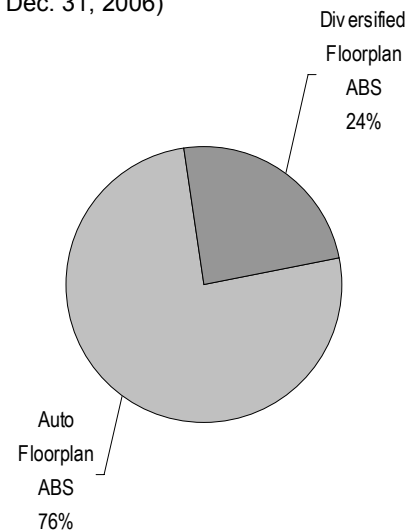
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Dealer Floorplan Issuer Type: 1990–2006
(As of Dec. 31, 2006)



Floorplan Product Compilation
(As of Dec. 31, 2006)

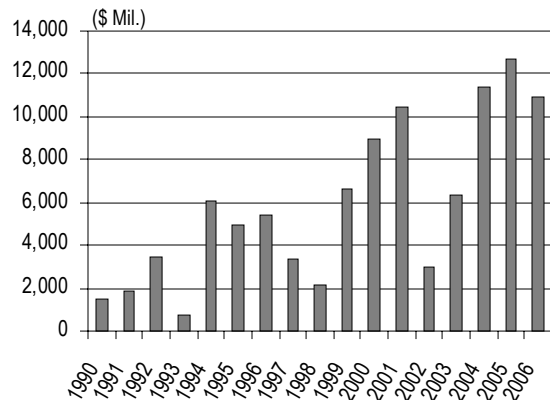


bankruptcies of key parties. A trigger breach will typically cause a termination of the revolving period and subsequent amortization of the transaction.

Floorplan transactions are exposed to multiple risks, including a slowdown in consumer and commercial sales, waning product demand, dealership failures, bankruptcy of the manufacturer, bankruptcy of a finance company, wholesale market inefficiencies and weakness, economic downturns, and collateral being “sold out of trust” (SOT) or “sold and unpaid” (SAU).

Fitch applies various business and credit-related stress scenarios to the underlying collateral and transaction structure to determine ratings. Key performance variables such as delinquencies, chargeoffs, recoveries, MPRs, and new receivable purchase rates are stressed to various degrees over different timeframes to alter expected cash flows and determine whether the credit enhancement structure can absorb shortfalls that accumulate during the payout period. These scenarios may occur before or after the scheduled maturity date. As part of its cash flow analysis, Fitch reviews product types, credit quality of dealerships, dealership and product concentrations, and wholesale liquidation market trends to ensure that credit enhancement is sufficient to cover larger exposures and debt service obligations under payout scenarios.

Dealer Floorplan ABS Issuance
(As of Dec. 31, 2006)



ABS – Asset-backed securities.

■ **Floorplan Issuance**

Floorplan ABS has been a regular part of U.S. ABS volume since the early 1990s, with finance companies tapping securitization as an attractive source of funding to support receivable originations. As shown in the above right chart, issuance volume has predominantly come from the domestic and foreign automotive captive finance companies rather than independent finance companies, as manufacturers seek to support the key retail sales channel in their franchise dealer networks. Over the past 16 years, captive paper has represented over 78% of total floorplan ABS volume. Auto floorplan ABS has led issuance with just over a 76% market share, followed by non-auto or diversified assets including equipment, recreational

vehicles, marine products, and motor sports products, respectively.

Floorplan ABS issuance in 2006 totaled \$10.9 billion through December, following on from the \$12.67 billion issued in 2005, which was a record for dealer floorplan issuance. This record amount of issuance was driven by the domestic captives with approximately 72% of total issuance. Issuance has been driven by certain issuers that had debt maturing this year and needed a means of refinancing.

While many issuers have funded their receivables on balance sheet or in conduits, the term ABS market continues to offer a relatively low-cost financing alternative given corporate rating downgrades and corporate spread levels.

As issuance has remained very active in recent years, it is important that investors have a clear understanding of the various analytical components factored into Fitch’s rating approach. The floorplan industry, general rating considerations, collateral analysis, performance measures, and structural features, as well as details of Fitch’s rating criteria for evaluating credit enhancement, are discussed in this report.

■ **Floorplan Financing Overview**

Floorplan financing arrangements require coordination among three parties — the dealership, manufacturer,

and finance company. Floorplan lenders provide vehicle and other equipment dealerships with financing to purchase inventory from manufacturers. The financing takes the shape of a revolving credit agreement among the dealer, manufacturer, and finance company, and in some cases a distributor. The financing is secured by a first lien on the dealership’s inventory.

The creation of a receivable is straightforward. The dealership orders inventory from the manufacturer for sale to retail customers. The manufacturer checks the dealer’s availability under existing financing arrangements with floorplan lenders and issues an invoice to the lender upon approval. Once the inventory has been funded by the lender, the receivable is created and the manufacturer delivers the product to the dealership. The finance company relies on the dealer to sell the inventory to repay the loan. Generally, as the dealership sells the inventory to retail customers, a portion of the sales proceeds equal to the wholesale price is applied toward full repayment of the loan.

Floorplan lenders originate, underwrite, and service the loans. Lenders include captive and independent finance companies. The captive finance companies are subsidiaries of manufacturers that provide financing to dealers within the manufacturers’ dealership network. In doing so, the captives can offer favorable rates and incentives to the dealerships to support manufacturer sales.

■ **Receivables Types**

Whole Goods

Floorplan financing is provided primarily through revolving lines of credit or dealer notes, which are backed by a security interest in finished collateral intended for retail sale and, in some cases, other dealership assets and personal guarantees. Inventory may also include parts inventory, rentals, or demonstrators. Credit limits and advance rates on dealership inventory are based on the financing relationship with the dealer, type of collateral, and historical inventory turnover rates. The dealerships are required to pay interest monthly, based on the outstanding principal balance of the loan.

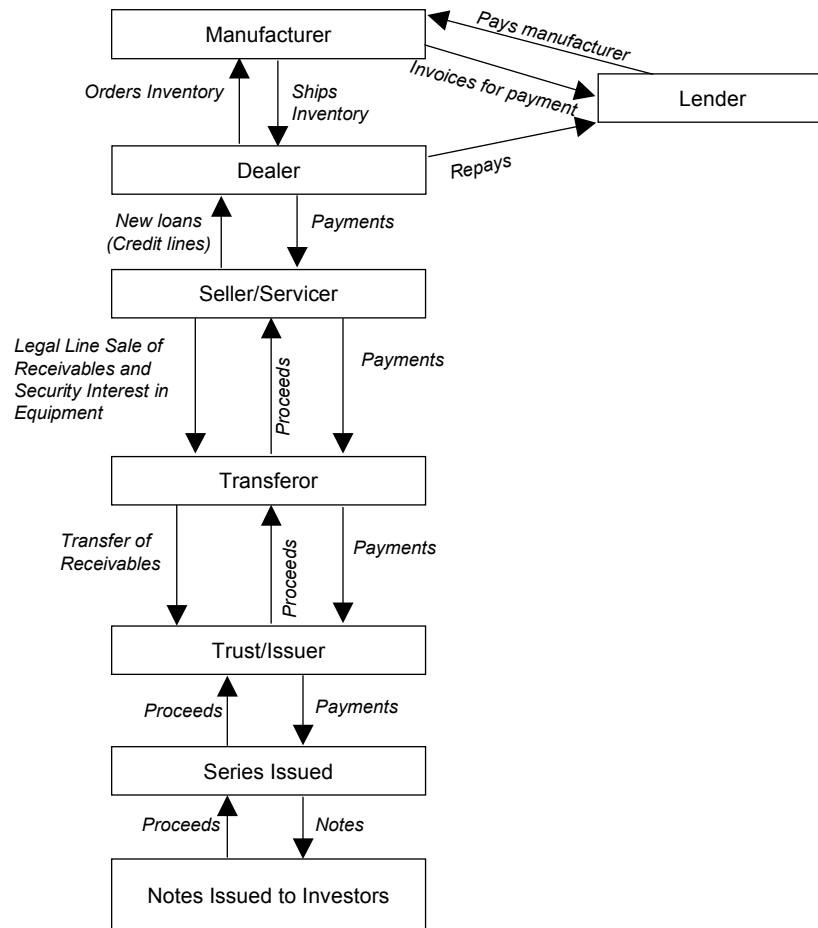
While the dealer pays interest and finance charges monthly, the principal balance is either repaid when the inventory is sold or on an installment basis according to a preset schedule. In the event that the inventory has aged beyond a predetermined period, the dealer is

**Dealer Floorplan ABS –
Products/Collateral**

- Automobiles
- Motorcycles
- Trucks
- Recreational vehicles
- Aircraft
- Snowmobiles
- Power Sports
- Computers (MIS)
- Boats and marine products
- Musical instruments
- Agricultural equipment
- Lawn & Garden
- Construction equipment
- Transportation equipment
- Trailers
- Consumer electronics/appliances
- HVAC equipment

MIS – Management information systems. HVAC – Heating, ventilation, and air conditioning.

Dealer Floorplan Structural Overview



required to begin paying back the principal of the loan based on a monthly amortization schedule to account for product depreciation or lack of demand. This is often referred to as a “curtailment.” If the principal is repaid in installments, the schedule is based on the dealer’s inventory turnover history. Fitch reviews repayment terms and curtailment arrangements to gauge repayment speed within each floorplan ABS transaction.

Accounts Receivables

Accounts receivables (AR) and asset-based lending (ABL) are types of financing programs within floorplan lending where credit lines are sized based on a discounted advance rate. AR programs are generally established for the funding of commercial trade receivables. A trade receivable is created when a dealer sells a product and bills the buyer upon shipping. This receivable now becomes the basis against which a lender will make a loan to a dealer for working capital. The buyer usually pays the invoice within a stated term, and

the AR is unusable capital to the dealer and the lender has a first lien on the receivables. The lender will advance a specific percentage of the total AR balance to dealers (typically 80%–85% of eligible accounts). The line of credit is usually revolving. When payment is made to the dealer, the entire payment usually is due to the lender. The lender will then credit the dealer’s account with the difference between the customer’s payment and the loan balance. Repayment terms to the dealer tend to be fairly short, and consequently, payment rates to the floorplan lender are generally higher than for retail inventory.

Asset-Based Lending

ABL programs typically involve a revolving line of credit often for a contractually committed period, during which the borrower may draw a specifically negotiated loan availability amount, which is essentially an approach to calculate loan availability and funding techniques. The loan availability is

determined by multiplying an agreed upon advance rate by the value of certain types of assets. The advance rates are based on the liquidation value of the asset type and tend to be lower than AR advance rates since the loan may be backed by fixtures, displays, and other illiquid products. The assets advanced against must be in the possession of the dealer, free and clear of liens, and in compliance with certain specified standards. Payment rates on ABL also tend to exceed whole goods; however, both AR and ABL are viewed as riskier since recovery can be more challenging.

■ Rating Methodology

Fitch's rating methodology for floorplan securitizations incorporates analysis of several key areas and includes both quantitative and qualitative factors. Credit analysis begins with an on-site evaluation of the originator, a review of the servicer, and an assessment of collateral and risk therein, as well as an analysis of historical asset performance. Issuers will be compared with specific industries, the larger wholesale inventory finance business, and perceived peers. Legal and cash flow structures are also fully evaluated.

Originator Review

Prior to rating floorplan ABS, Fitch's ABS group conducts on-site operational reviews of originators/servicers jointly with Financial Institution group analysts to assess the financial profile of the lender and its operational capabilities. Audited financials are reviewed to assess the finance company's strength, funding alternatives, existing corporate debt structure, warehouse and banking facilities, and the underlying motive for securitization. The management team and structure is also evaluated to determine its experience and stability, risk tolerance, growth strategies, incentive compensation, and succession plans. The company is also benchmarked against perceived peers to determine its position within the industry, how well its marketing strategies address competition and business goals, and the longer term viability of its business model. This review is generally performed annually thereafter.

Underwriting

Fitch pays particular attention to originations, underwriting, servicing, and dealer monitoring policies and procedures. The procedures used in the origination process are reviewed to ensure both quality and consistency. This analysis includes an evaluation of the underwriting strategies and incorporates an assessment of the information systems utilized in the origination process.

During the underwriting process, the floorplan lender conducts credit checks on all dealers that seek to enter into financing agreements and performs periodic reviews thereafter. Credit factors generally include a review of the dealer's financial strength, business history/management experience, bank references, proposed use of the financing, and products financed. The dealer's sales volume and inventory turnover history are also key considerations factoring into the sizing of the credit line.

Dealer Monitoring

As credit is extended on a revolving basis, ongoing monitoring of dealer financial strength is a critical focal point. Once the receivable is created, the lender's ongoing audit of the dealer's credit strength and inventory is vital to the performance of floorplan portfolios. To that end, Fitch focuses on the finance company's risk rating frequency and mechanics to ensure that riskier dealers are appropriately classified and audited more frequently from a financial, cash management, and inventory perspective. In cases where dealer performance is weakening, Fitch seeks to understand the ongoing underwriting implications and strategies taken by the lender to reduce risks.

Inventory Monitoring

One of the main risks in floorplan transactions is that the assets will be SOT. This means the asset is sold and the proceeds are not used to pay off the receivable. In some cases, this could be a timing oversight; in others, it could signal financial mismanagement and/or fraud situations. SOT exposure can be limited by conducting frequent, unannounced audits on dealers and their inventories and prudently managing credit lines.

The floorplan lender's field auditors are responsible for conducting inventory audits, and the role is sometimes outsourced. The audit process includes a count of the dealership's inventory to ensure that the collateral securing the financing has not been sold. The audit should also include a review of inventory turnover or days outstanding of the dealers' inventory. An increase in days outstanding will indicate a decline in dealership sales or an excessive build-up in inventory. If prolonged, either will lead to difficulty in repayment on the loan. Audits are conducted throughout the financing period, and the timing is varied to maintain some element of surprise. In addition, auditors are rotated among accounts to ensure that a single account is not always audited by the same person.

Inventory field audits may be influenced by the type of product being audited. For example, automobiles, motorcycles, and recreational vehicles are larger, more visible products identified through the use of vehicle identification numbers (VINs), making them easy to inspect, scan, and audit. However, products like consumer electronics and appliances, technology (management information systems [MIS]), and parts may be small and harder to identify and audit and, in some cases, have no identification numbers/tags. Product curtailment will mitigate risks of product depreciation or aging collateral. AR and ABL programs incorporate an advance rate that mitigates inventory risks.

Independent finance companies tend to have varied audit procedures due to the diversity of products backing their loans. Fitch pays particular attention to the training of auditors and their level of experience. In the event a dealer defaults on repayment of the credit line, the floorplan lender must move quickly to repossess and dispose of the inventory securing its loan to minimize loss severity. A majority of floorplan financing arrangements includes manufacturer buyback agreements; however, these are generally not obligations but rather options. Should the agreement not be in place or the manufacturer elects not to exercise the option to repurchase, the floorplan lender will likely dispose of the repossessed inventory by redistributing the collateral to other dealerships or through wholesale auctions. The captive finance companies benefit from vast manufacturer dealership networks in which the inventory can be sold.

Insurance

Dealers must carry insurance to protect the underlying inventory securing floorplan receivables. While carriers and amounts may vary depending on the lender, the following guidelines are common. Comprehensive physical loss and damage coverage, including collision up to the line commitment amount, is typical. Dealer content insurance is also common, usually in an amount equal to the value of a dealership's fixed assets. General liability and excess liability coverage is also typical, with coverage averaging approximately \$1 million. In most cases, the policies name the floorplan lender as payee under a claim.

■ **Collateral Characteristics**

As part of Fitch's analysis of the underlying collateral backing floorplan ABS, receivable type, product mix, and loan structure, as well as dealer, manufacturer, and geographic concentrations, are

reviewed to identify risk areas and, ultimately, to evaluate credit enhancement needs.

Advance Rates

Fitch's analysis centers on the appropriateness of the lender's underwriting and advance rate guidelines and how these have changed over time. Attention is paid to specified maximum rates and the impact, if any, these have had on historical loss performance.

Advance rates are typically expressed as a percentage of the floorplan loan balance over the wholesale invoice price of the inventory. The advance rate may exceed 100% on new collateral due to the inclusion of destination and shipping charges. For used collateral, lenders typically advance 100% of auction purchase price or wholesale value with no add-ons allowed. In the case of cars and trucks, national and regional pricing tools such as Kelly's or National Automobile Dealers Association (NADA) guides are followed to assess used values. This is also true in the equipment sector where such evaluation tools are employed.

Contract Rates

Interest charged on loans to dealers can be fixed, Prime-based, or linked to the London Interbank Offered Rate (LIBOR) plus or minus a spread. Interest accrues daily and is billed on a monthly basis. Rates tend to be lower for new, liquid inventory and larger, stronger dealers and higher for used collateral and less liquid assets. Interest begins accruing upon loan extension. For a new product, this occurs once the inventory is shipped from the manufacturer. For used product, it begins upon purchase. Interest free and grace periods may also be used by lenders for better dealers or during periods of seasonality.

Repayment Terms

For common product types such as new vehicles, terms are generally the earlier of retail sale or up to 12 months. Thereafter, curtailment payments may be necessary to extend the loan and offset product depreciation. On the other hand, used vehicles tend to have shorter terms and require depreciation payments to be made immediately. Fitch will review an issuer's historical repayment schedules and inventory aging to ensure that the lender has not been in an undercollateralized position as a result of the loan structure. Often, receivables that require curtailment payments are limited to a specified percentage of the trust.

Credit Line Size and Utilization

Lines are usually extended based on traditional commercial lending credit analysis. The dealer's ability

and willingness to pay are assessed through historical data on profitability, liquidity, receivable turnover, inventory management, capitalization, and repayment history. Lines generally reflect 60–90 day sales rates and may be lower for used or slower-moving inventory. As part of its analysis, Fitch reviews line utilization rates and dealer financial strength rankings as well as the percentage and type of dealer inventory financed. Fitch also considers what percentage of a dealer's inventory is being financed and whether the originator is the sole lender, as this could affect workout timing.

Concentration Limits

Restrictions on dealer size, manufacturers, product types, and geographic location are present in floorplan ABS to minimize a compositional shift during the revolving period. Risk is generally evaluated through historical performance, including loan repayment and loss rates. Limits are typically present on riskier collateral that may be subject to slow sales and/or rapid depreciation. These may include used vehicles, rental equipment, technology and consumer electronics, and seasonal recreational vehicles.

Dealer and manufacturer concentrations are in place to mitigate the risk of dealer/manufacturer default and/or bankruptcy, reducing the potential for large losses from a single dealer/manufacturer. Under a manufacturer bankruptcy, product deflation will most likely ensue, while under a dealer bankruptcy, an orderly sale of the dealership or collateral liquidation may result in minimal losses. Typical concentration limits for dealers average 2% but may rise to 4%–10% for the largest dealers, or “megadealers.” Within the context of historical product-specific measures, Fitch reviews asset performance and predictability over time.

Good geographic diversification protects the transaction from exposure to possible regional downturns and the negative effect these might have on sales rates, profitability, and consequently dealer failure rates. Specified limits rarely exist on floorplan transactions since most portfolios are nationally diverse.

Megadealers

Fitch has witnessed an increase in dealership consolidation over the past few years. The consolidation has resulted in the formation of what is often referred to as megadealers who may have better financial strength. The advent of better capitalized megadealers and multilocation dealerships under single-owner management has led to less restrictive concentration limits. While Fitch notes the benefit of

financially stronger dealerships, the single dealership risk remains, since exposure to loss severity is increased. Fitch reviews the underlying fundamentals of larger exposures and may seek higher MPR triggers and more credit enhancement to cover the risk.

In cases where specified receivable constraints are exceeded, an overconcentration series or provision may be established to absorb such an event or the transaction could undergo early amortization. The overconcentration series, seller's interest, or other such provisions will be allocated its share of collections and defaults in a given month when the pool has breached one of the concentration limits, ensuring that the risk is not borne by noteholders.

Captives vs. Independents

Because the captives provide financing almost entirely to dealers within the manufacturer's dealership network, their securitizations may be exposed to higher product type and single manufacturer concentration risk. The risk that loss severity will increase following the bankruptcy or insolvency of the manufacturer is high. The potential for a decline in demand for the products would reduce dealership sales and the value of the product, elements Fitch considers when analyzing floorplan securitizations.

Independent finance companies also provide floorplan financing, generally on a more diverse array of product types from various manufacturers. While the exposure to product type and manufacturer concentrations is lower relative to single-product captives, losses following disposition of a defaulted dealer's inventory tend to be higher for a variety of reasons. Factors may include lower sales rates, the types of products, seasonal usage, location of the dealerships, varying depreciation rates, product obsolescence, smaller, less efficient or non-existent wholesale markets, and smaller dealership networks with higher failure rates.

■ Asset Performance Measures

In evaluating an issuer's floorplan portfolio, Fitch focuses on a variety of metrics to gauge historical strength and potential areas of risk. The key variables considered are inventory aging, receivable turnover, yield, delinquencies, chargeoffs, and recovery rates.

Aging Experience

Inventory management is a very important consideration when analyzing floorplan collateral, particularly in light of potential depreciation during bankruptcy or

DaimlerChrysler (DCMOT) Age Distribution - Wholesale Trust Portfolio

Aging (Days)	As Sept. 30		As of Dec. 31				
	2005	2006	2001	2002	2003	2004	2005
Less Than 31	38.80	29.40	33.49	28.30	29.20	28.70	29.10
31-60	20.60	13.50	22.95	18.90	19.20	18.70	15.20
61-90	8.50	7.50	14.29	16.30	14.20	15.30	16.10
91-120	10.10	13.30	10.59	14.40	14.60	12.50	16.20
121-150	4.60	6.50	7.71	10.60	9.40	9.30	9.30
151-180	3.30	5.30	3.45	4.30	3.00	3.90	3.70
181-210	3.30	8.40	1.93	1.90	3.40	2.90	3.10
211-240	2.20	3.10	1.35	1.30	1.90	2.00	1.30
241-270	1.20	1.20	0.90	0.80	1.20	1.70	1.00
271-300	1.90	3.40	0.78	0.70	1.30	1.40	1.10
301-330	1.30	1.30	0.46	0.60	0.60	0.90	0.70
331-360	1.20	1.90	0.29	0.30	0.50	0.60	0.40
>More Than 360	3.00	5.20	1.61	1.60	1.50	2.10	2.80

liquidation. In general, when a dealer sells the collateral, the floorplan lender is entitled to receive full payment of the related advance plus any unpaid interest. How well inventory is managed manifests itself through portfolio aging experience and MPRs.

Portfolio aging experience is assessed by days outstanding and distribution. For example, the table above details DaimlerChrysler Master Owner Trust's (DCMOT) age distribution floorplan loans within the company's U.S. portfolio. Additionally, Fitch may review the composition of older receivables to understand their presence and value.

Asset Yield

The yield on floorplan loans can be relatively low compared with other commercial assets due to low delinquency rates, minimal losses, and competition among lenders. Among the captives, yield may be even tighter, as the primary objective of the financing is to support manufacturer sales. It is not uncommon to see interest-free flooring for a specified period, either during shipping or seasonal slowdowns. In these cases, receivable discounting, yield supplement accounts, available funds caps, or pooling of finance charge and principal collections may be employed to avoid excess spread compressions.

Monthly Payment Rate

MPR is defined as principal collected during a month divided by the ending or average principal balance of receivables for the same period. The MPR indicates the portion of outstanding receivables paid down each month. An MPR of 50% equates to full loan repayment in two months.

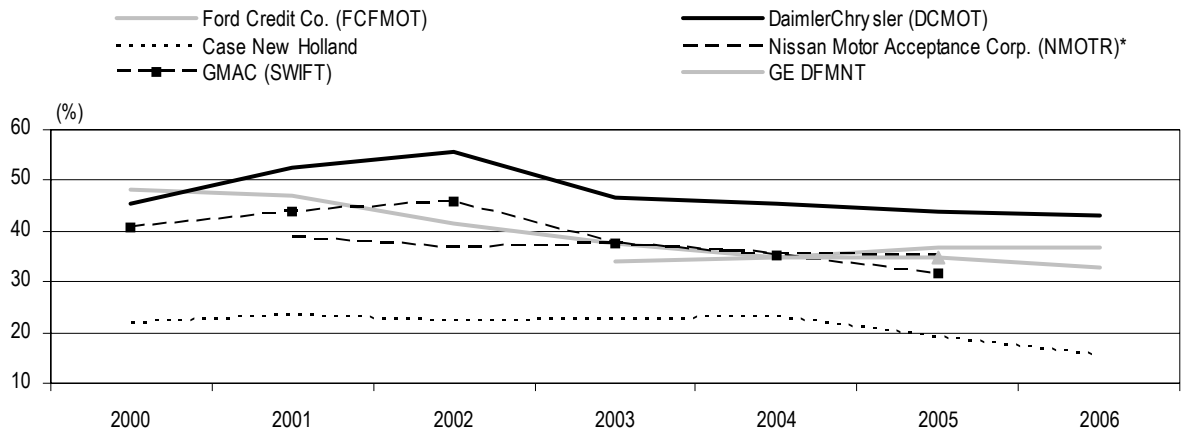
Floorplan assets are characterized by high turnover, ranging from a 20%–60% MPR. AR, ABL, and smaller products have generally exhibited higher

MPRs, sometimes exceeding 100%, since the turnover of the product is rapid and may outpace current line extensions. The strong MPR is an indication of the high degree of liquidity inherent in floorplan financing. This is not only a function of strong sales but reflects the fact that dealers and manufacturers do not want to keep more than the necessary amount of inventory on hand at any time.

MPRs vary by product type and tend to be lower for big-ticket items such as recreational vehicles and industrial equipment. A lower MPR implies slower paying receivables due to slow sales, overstocked inventories, or higher dealer delinquencies. Alternatively, a higher MPR could be symptomatic of a decrease in floorplan loan originations. Product seasonality may also affect MPRs, since sales may increase or decrease based on seasonal product use. For example, snowmobiles and marine experience higher MPRs during their peak seasonal use, in winter and summer, respectively, while lower MPRs are experienced during the off-season when product utilization falls. To account for seasonal sales patterns, transaction payment rate triggers have been set at different levels for certain periods within a calendar year, based on historical seasonality trends. Fitch examines payment rates by product, seeking any inconsistencies that may affect the liquidity of a transaction. Appropriate credit sizing and payment term management can stabilize MPRs.

Transactions with a diverse array of product types will include concentration limits set so that the overall portfolio MPR is more predictable. Furthermore, each securitization includes an MPR trigger, which will force an early amortization of the transaction if MPR speeds decline below predetermined levels.

Portfolio Average Monthly Payment Rates of Selected Issuers



*NIMOTR Series 2003-A was paid in full in September 2006. FCFMOT – Ford Credit Floorplan Master Owner Trust. DCMOT – DaimlerChrysler Master Owner Trust. DFSFMT – DFS Floorplan Master Trust. SWIFT – Superior Wholesale Inventory Financing Trust. NMOTR – Nissan Master Owner Trust Receivables.

Chargeoffs and Recoveries

The credit performance of this asset class is strong, with losses often measured in basis points due to quick turnover, the secured nature of the product, and multiple disposition channels. Nevertheless, dealers sometimes miss payments and become delinquent. Whether as a result of market conditions, undercapitalization, overstocking, or competency, most commercial lenders will work closely with the dealer to resolve the delinquency. Depending on the balance, the dealer’s credit line may be suspended until the likelihood of repayment is properly assessed.

A loan is typically charged off at 120 days delinquent. When liquid collateral is present, defaults result in strong recovery rates since the collateral can be sold relatively quickly to another dealer or through wholesale channels. In addition, many manufacturers agree to support their dealers through buyback agreements. One of the risks in these deals is the depreciation of the assets financed due to either micro factors in the industry (e.g. bankruptcy of a manufacturer or obsolescence of product, among others) or macro factors (e.g. deflation). Recovery values and, consequently, loss severities are dictated by the liquidity of the collateral and tend to be better on products that have a longer life, slower depreciation rates, and active wholesale markets for efficient disposition. Products that would fall into this category would be automobiles, recreational vehicles, motorcycles, boats, and certain industrial products. Consumer electronics, appliances, and computers

may have shorter shelf lives. Limited demand and obsolescence make these products more prone to lower recoveries. Recoveries may be complicated by access to wholesale markets geographically and product seasonality, resulting in longer lag periods before resale occurs (e.g. certain agricultural equipment, lawn and garden, and snowmobiles).

In cases where SOT is present, recoveries can be substantially diminished and may take a long time to realize. Lenders that react quickly can minimize losses through swift foreclosure on a dealership and asset seizure. Nevertheless, virtually all floorplan losses have arisen from absent collateral under these liquidation scenarios. Losses may be further reduced through the sale of other inventory or personal assets and guarantees, although Fitch does not give credit to these potential sources.

Losses have been historically below 1.0% among the captives. DaimlerChrysler Financial Services Americas LLC’s U.S. dealer floorplan portfolio had losses ranging between 0.00%–0.11% in the past six years, through year-end 2005, while Ford Credit Motor Company has ranged between 0.04%–0.08%.

■ **Business and Credit Risks**

The primary risks to a floorplan securitization include manufacturer, finance company, or dealer bankruptcy and collateral that is SOT without sale proceeds flowing back to the trust. For the trust to suffer a significant loss, the underlying collateral must be

Portfolio Loss Experience of Selected Issuers*

(Net Losses as % of Average Principal Balance Receivables, Years Ended Dec. 31)

	2006	2005	2004	2003	2002	2001
Ford Credit's U.S. Dealer Floorplan Portfolio	(0.015)%*	0.049	0.082	0.044	0.084	0.084
GMAC (SWIFT)	N.A.	(0.0006)**	(0.003)	(0.000)	(0.065)	0.060
DaimlerChrysler (DCMOT)	0.0†	(0.010)	0.002	0.040	0.110	0.020
NMAC NMOTR‡	U.A.	0.09§	(0.020)	0.060	0.100	0.090
Case New Holland (CNHWMNT)	0.14*	0.070	0.110	0.200	0.100	0.110
GE CDF	0.05†	0.030	0.010	N.A.	N.A.	N.A.

*Through March 31. **Through Sept. 30. †Through Sept. 30. ‡NMOTR series 2003-A was paid in full in September 2006. §Through March 31.
SWIFT – Superior Wholesale Inventory Financing Trust. N.A. – Not applicable. DCMOT – DaimlerChrysler Master Owner Trust. U.A. – Unavailable.
NMAC NMOTR – Nissan Motor Acceptance Corp. Nissan Master Owner Trust Receivables. CNHWMNT – CNH Wholesale Master Note Trust. GE CDF – General Electric Commercial Distribution Finance.

SOT or experience dramatic deflation, since, under bankruptcy scenarios, the collateral continues to secure the loans and retains some recovery value.

Manufacturer, Finance Company, and Dealer Bankruptcy

Like other securitizations, dealer floorplan transactions are designed to be bankruptcy remote, and thus, the assets of the trust are isolated from consolidation with the seller. Nevertheless, the bankruptcy of either the manufacturer or the finance company could have serious repercussions to the floorplan ABS transaction. Manufacturers play a critical role in floorplan funding, providing finished product and support to dealers, including interest reimbursements on inventory in transit, incentives on certain products, volume discounts, and loans for capital projects. Furthermore, under workout scenarios, manufacturers have the option to repurchase inventory to preserve collateral values.

In assessing the risk exposure to floorplan ABS transactions, Fitch assumes that the manufacturer is no longer able to provide services to the dealer or support on the floorplan loan. In doing so, Fitch believes there will be a higher loss severity on dealer defaults. Furthermore, the bankruptcy of the manufacturer will most likely cause a decline in demand for the manufacturer's products resulting in weaker recovery performance thus affecting loss severity.

Floorplan ABS transactions have revolving structures and are, therefore, dependent on the finance company to continue generating receivables to avoid early amortization of the securities. If the manufacturer declares bankruptcy and ceases production or if the finance company declares bankruptcy, the finance company's creation of floorplan receivables would significantly decline. These risks are mitigated by the fact that insolvency of the manufacturer or the finance company usually constitutes an early

amortization of the transaction. In addition, a dealer can continue to sell an insolvent manufacturer's vehicles, though likely at a discounted value, and make payments to the trust.

If a large dealer or dealer group goes out of business or defaults on its floorplan loan, the securitization may not receive the full payment due on the receivables outstanding. This is particularly true if the dealer's financings represent a significant percentage of the receivables backing a securitization. This risk can be limited by four factors: the finance company's active monitoring of the financial condition of dealers and lines as part of its ongoing oversight process; a valid security interest in the collateral; dealer concentration limits; and effective MPR triggars.

SOT Risk

Another significant risk faced by investors in floorplan securitizations is that the collateral will be SOT or SAU. The finance company's security interest in a floorplan asset is generally terminated when a dealer sells or leases the asset. If the dealer fails to repay, the receivable is considered SOT and the underlying asset no longer secures the receivable. As a result, the trust is at risk of not receiving any payments with respect to the SOT receivable. The number of dealers that "go SOT" relates to the frequency of default, while the actual dollar losses as a percentage of dealer credit line determine the severity of loss. SOT frequency and severity is one of the primary operational risks that Fitch considers in developing credit enhancement levels for floorplan ABS. SOT severity, among other things, is a function of past experience analyzed through case studies based on individual line exposure at the time of the incident.

SOT risk is best addressed by early detection and rapid resolution. While there is no guaranteed way to prevent such activities, frequency can be somewhat mitigated or limited by conducting regular,

unannounced audits on dealers and their inventories and prudently managing credit lines, which reduces loss severity on large out of trust balances. In addition, dealer concentration limits in a trust portfolio mitigate this risk, as generally multiple incidences need to take place to significantly impact the trust.

■ Securitization Structures

Like most ABS types, the floorplan receivables are transferred by the seller into a bankruptcy remote trust that functions as the issuer of the floorplan ABS. The trust purchases the floorplan receivables from the seller. The seller initially transfers the outstanding receivables and pledges to transfer any future receivables generated, which the trust typically purchases at par.

Most floorplan securitizations have been issued from a master trust structure. The master trust allows issuers to sell multiple securities from the same trust backed by a single pool of receivables. This structure affords the issuer more flexibility, since the cost and effort associated with issuing a new series from a master trust is lower than creating a new trust for every issue. The master owner trust has become the more dominant issuance vehicle since it facilitates a clean debt-for-tax opinion on all notes and results in Employee Retirement Income Security Act (ERISA) eligibility, in turn expanding the investor base.

Trust assets are allocated among current and future noteholders and the seller or transferor's piece. Each is allocated its pro rata share of collections based on size. Additional series can be offered from the master trust at any time with terms similar to or significantly different from existing series. Prior to issuing a new series, issuers must receive notification from Fitch that the issuance will not result in the reduction or withdrawal of ratings on the outstanding series.

Credit enhancement for floorplan series has been provided through the use of overcollateralization, available subordination amounts, reserve accounts, or some combination thereof. Structures have achieved 'AAA' ratings with credit support ranging from approximately 7.0%–18.0%. Differing enhancement is largely a function of asset type historical performance, MPR triggers, dealer concentration limits, or seller/servicer concerns.

Similar to credit card ABS, floorplan series with subordinated classes utilize a sequential-pay structure, paying all senior notes prior to distributing principal to subordinate classes. Finance charge and principal

collections have been pooled to circumvent the need for available funds caps or basis swaps.

Trust Property

The property of a dealer floorplan trust and, therefore, investor cash flow, typically includes:

- The receivables and moneys due on or after the cutoff date.
- All collections on the receivables, including liquidation proceeds, deficiency balance proceeds, and dealer repurchases.
- Security interests in the assets financed by the receivables.
- Bank accounts and investment earnings.
- Counterparty payments.
- Claims on physical damage, credit life/disability, or other insurance policies on financed assets/obligors.

■ Master Trust Features

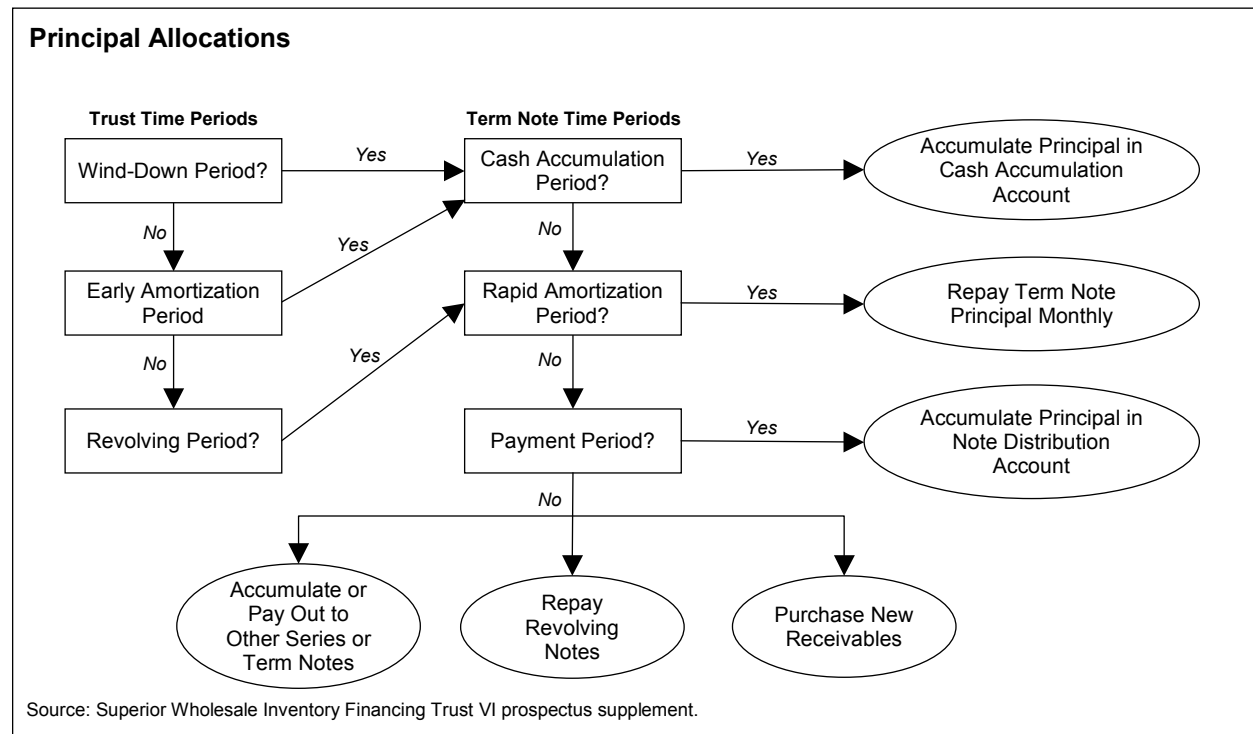
Master trusts and master owner trusts are equipped with a variety of features designed to help ensure the full and timely payment of interest and principal to noteholders. Among these is the seller's piece, the ability to add and remove accounts, share collections, extend the revolving period, and for a series to begin early amortization upon certain adverse events.

Seller/Transferor's Piece

A seller's piece or certificate is included in floorplan securitizations to ensure that securities are always fully collateralized by receivables. The required size typically ranges from 3%–7%. The certificate amortizes along with the transaction receiving its pro rata share of collections. The receivables serve as a buffer to offset fluctuations in new receivable generation, overconcentration amounts, and other ineligible receivables.

Additional Accounts

To ensure that investors are not repaid early due to a decline in the receivables balance, the seller is obligated to add eligible accounts to the trust should the seller's interest fall below a stated threshold. If the seller is unable to provide additional accounts, an accelerated payout of principal will occur. Similarly, receivables can be removed from the master trust under certain circumstances. Additions to the master trust can be automatic and are usually limited quarterly or annually. Fitch reviews the collateral quality of additional accounts to gauge how the additions may alter trust composition and their impact on trust performance.



Shared Excess Collections

Series have the ability to share excess finance charge collections, a protective feature designed to shield investors from losses and early amortization risk. Finance charge receivables collected and allocated to one series that are not needed to cover corresponding interest, defaults, and servicing payments can be applied to absorb shortfalls in another series.

Similarly, principal collections allocated to a series in its revolving phase can be redirected to a series in its accumulation phase to ensure full and timely repayment of investor principal. In addition, any principal collections exceeding the distribution needs of a series in its accumulation period can be reallocated in the same manner. Sharing and redirecting collections in this way strengthens the ability of each series to meet its scheduled maturity with no additional risk posed to investors.

Revolving and Accumulation Periods

A typical transaction structure has three different cash flow periods — revolving, variable accumulation, and amortization. Although the investor is paid through all three periods, principal collections are treated differently during each period. The chart above illustrates how principal can be treated through various phases.

Floorplan assets have short terms relative to ABS liabilities. An interest-only revolving period, during which principal collections are used to purchase additional eligible receivables, allows tailored bond maturities to be met. Usage of a revolving structure gives the issuer medium- to long-term financing and provides the investor with a predictable schedule of principal and interest payments.

At the end of the revolving period, a controlled accumulation or wind-down period begins. During a controlled accumulation, payments are deposited into a note distribution account, or principal funding account (PFA), every month and held until the expected maturity date. The length of the accumulation period is generally a function of recent payment history. The faster the MPR, the quicker the principal can be accumulated to repay investors and, therefore, the shorter the required accumulation period.

Following the accumulation period, the full invested amount will have been deposited into the PFA and investors will be repaid their principal in a single payment on the expected maturity date. Funds deposited in the PFA will be invested in short-term, highly rated investments. Because the interest earned on these investments is likely to be less than the bond coupon, reserve accounts are typically funded prior to the commencement of the accumulation period. If

funds in the PFA are not enough to repay investors on the expected payment date, principal will continue to be passed through to investors up until the legal final maturity date, at which time the trust would sell the remaining receivables to pay investors, if necessary. Fitch's ratings address the likelihood of full repayment in accordance with each note's stated terms by the legal final maturity date.

Early Amortization Events

Floorplan ABS transactions include event and asset performance triggers to partially protect investors from adverse conditions. If a trigger is breached, either a cash accumulation or a rapid amortization will occur, regardless of whether the transaction is revolving, accumulating, or amortizing. Early amortization events include, but are not limited to, the following:

- Insolvency or bankruptcy of the manufacturer, seller/servicer, or issuer.
- The average monthly principal payment rate for three consecutive collections periods is less than a predetermined percentage.
- The used or other collateral concentration limit is exceeded.
- Failure to maintain the receivables balance at predetermined levels.
- The trust becomes an investment company under the Investment Company Act of 1940.
- The outstanding dollar amount of the notes is not paid out by the expected scheduled payment date.
- The trust fails to pay interest on any notes for a predetermined period.
- Credit enhancement is reduced to an amount less than the required amount on that payment date after distributions are made.
- Certain eligible investments and amounts on deposit in the excess funding account for the specific series constitute more than a certain specified percentage of the total assets of the trust for longer than a specified period.
- Breach of covenants or warranties in the indenture.
- Failure of an issuer to convey receivables or make any payment or deposit required, deliver a distribution date statement, comply with its covenants, or observe or perform under the pooling and servicing agreement.
- Any representation or warranty made by the issuer proves incorrect, and this event has a material effect on holders of notes and certificate and is not cured.

Certain trigger events result in immediate early amortization and payoff and do not require the majority

consent/vote of noteholders with no grace period to resolve such an event. Others require investor consent before amortization commences. To Fitch's knowledge, only one floorplan transaction to date has undergone early amortization.

Use of Collections

In general, interest payments are utilized to pay servicing fees, interest on the notes, fund losses and any dilutions, fund the reserve account, maintain subordination levels, and pay the excess available interest amounts. Principal collections are allocated to cover interest and servicer payment shortfalls; if in accumulation or controlled amortization, to pay the required controlled deposit amount and then fund the reserve; if in early amortization, to pay all available principal to the noteholders; if not in accumulation or early amortization, to fund the reserve if needed; and if in accumulation or controlled amortization, or early amortization, after paying the required principal amounts, to fund the reserve.

PFA and Negative Carry

To ensure interest payments on the notes during a cash accumulation period that remains uncured by the expected final maturity date, floorplan ABS transactions usually include a cash accumulation reserve fund. The cash accumulation reserve fund is sized to cover negative carry that may result due to amounts on deposit in such funds earning interest at a lower rate than the coupon expense on the notes prior to the expected final maturity date. All principal collections and any amounts in the PFA will be distributed to investors in order of structural priority. Principal distributions will be made to subordinate investors only after senior investors are fully repaid. To help speed repayment to investors, a portion of principal collections that would normally be allocated to the seller's participation will be reallocated to the investors.

■ Cash Flow Modeling

To achieve high investment-grade ratings, floorplan transactions are stress tested through various business and economic scenarios to determine whether asset cash flows can cover required investor payments. Similar to credit card ABS, floorplan collateral performance is measured by several key variables. These include yield, MPR, delinquencies, losses, recoveries, and receivable purchase rate. Base case assumptions for these performance variables are determined by analyzing historical data provided by issuers and collected from industry resources. Results are input into Fitch's proprietary cash flow model and

each variable is simultaneously stressed to various degrees to ensure that the cash flows generated by the underlying receivables and credit enhancement are appropriate for the given rating level.

Floorplan ABS features early amortization triggers designed to commence repayment of principal under adverse events, including declining sales and performance deterioration arising from dealership failures, seller/servicer bankruptcy or transfer, manufacturer bankruptcy, and collateral depreciation. Payout triggers are typically tied to three-month average MPR, annualized chargeoffs, and enhancement draws. Because the pool revolves and the composition can change, concentration limits are established on the collateral, limiting pool migration. Maximum concentrations are assumed for modeling purposes.

Delinquencies and chargeoffs are increased on the collateral side, while collected yield, MPRs, recoveries, and new asset purchase rates are decreased. On the bond side, debt service costs are modeled at the top of the waterfall to simulate a change in servicing. Coupon expenses are also modeled using a fixed-rate expense or, if floating, the appropriate interest rate scenario that corresponds to the rating category. Potential mismatches from Prime-based assets and LIBOR-based liabilities are also considered.

Model runs assume that early amortization occurs at some point in the future (either before or after the scheduled maturity date), receivables performance deteriorates beyond trigger levels, and shortfalls accumulate as debt is repaid. Absorption of monthly shortfalls are cumulated and then measured against the proposed credit enhancement structure to determine ratings. Fitch's ratings address the likelihood of repayment by the legal final maturity date. Ratings do not comment on the likelihood of early repayment.

Based on the low and stable historical losses, high MPR triggers, and speed of potential principal repayment, the credit enhancement for floorplan transactions may seem high, particularly when comparing performance metrics to credit card ABS. However, Fitch's credit stresses incorporate multiple factors, including national and regional recessionary conditions, multiple dealer, finance company, and manufacturer bankruptcies, servicer transfer, and material decreases in inventory turn rates. When analyzing floorplan transactions, it is important to consider the cash flow impact of dealer defaults as the credit profile of the manufacturer and/or the finance company rapidly deteriorates. These may not only

cause financial distress at the dealer level, but also adversely affect origination and servicing capabilities, SOT frequency, and ultimate recovery values.

■ Variables Stressed

Yield

Loans are generally priced at a margin over the Prime rate. Competition and the prevailing interest rate environment may lead to a tightening of these margins. Assets can be repriced as interest rates rise, but lags are assumed under different scenarios, eventually creating a possible asset/liability mismatch. Pricing floors, as well as similar historical movements in the Prime rate and LIBOR, make the risk of inversion very remote. However, interest-free flooring and high delinquency rates can lead to compression.

Monthly Payment Rate

Slow sales rates, high dealer delinquencies, and defaults will contribute to reductions in MPR; hence, the MPR trigger is a critical component to Fitch's analysis. The higher the trigger, the faster principal will be repaid, limiting investor exposure to further asset deterioration. Stress scenarios assume the trigger is breached immediately and then MPR rapidly falls further thereafter. The timing typically is immediate for most rating categories, and the magnitude of the decline varies for each rating category and may be greater from issuer to issuer, depending on product concentration. Cash flow runs generally assume the riskiest pool composition under expressed concentration limits. Declines typically occur over a one- to six-month interval, typical 'AAA' declines occur immediately, and the decrease ranges from 15%–50% from the trigger level, depending on the rating category.

Delinquency Rate

Based on portfolio delinquency rates and trust asset composition, Fitch assumes that a percentage of the portfolio remains delinquent through amortization, which reduces available collections and prolongs principal payout. The rate is generally increased for higher rating categories.

Chargeoffs

Under high investment-grade stresses, Fitch assumes annualized chargeoffs mount as a result of multiple dealer bankruptcies and increased SOT frequency. Assumptions are derived from past performance and concentration limits. Generally, Fitch will default larger dealerships with the absolute number and portion of receivables sold and unpaid varying by

rating category. The defaulted dealership percentage is considered a gross loss, and due to the secured nature of the financing, recoveries are applied to arrive at a net loss percentage of the receivables. Coverage multiples tend to vary based on composition but generally seek to cover 2.0 times (x) to 6.0x expected chargeoffs.

Recoveries

Incorporated into Fitch's analysis is the assumption that the manufacturer is insolvent or bankrupt and unable to provide services to the dealer or support a floorplan loan through buyback agreements. That being said, if the security is rated below the manufacturer's rating, credit may be given to the repurchase right, and loss severity will be lower. Fitch believes there will be higher loss severity on dealer defaults, as these may include SOT receivables, and that the ability to dispose of the collateral will drive recovery values. New, liquid products with deep wholesale markets will result in the highest recoveries, while used, aging, or illiquid inventory recovers substantially less. Curtailment usage and other payment plans will affect these assumptions positively; however, a finance company bankruptcy and/or servicing transfer may negate the mitigating intentions of these programs. Therefore, recoveries lessen over time to account for depreciation on aging collateral and depressed pricing arising from a manufacturer bankruptcy. Furthermore, stresses assume realization timing lags as long as one year.

Purchase Rate

The majority of scenarios assume that no new receivables are generated the day early amortization occurs, resulting in a declining pool during payout. Therefore, in a typical transaction, no future sales are assumed along with a 0% future purchase rate applying a 100% purchase rate stress. In certain, remote circumstances credit can be applied and the purchase rate stress could be less than 100% depending on various factors including diversity of industries, product lines, manufacturers, dealers, and other factors.

■ Legal Considerations

As with other ABS transactions, floorplan securitizations are structured to isolate the floorplan loans from the bankruptcy or insolvency risks of the other entities involved in the transaction (floorplan loan seller and/or originator). This is typically accomplished by the seller/originator transferring the floorplan loans (either directly or indirectly, depending on the chosen structure and the type of

entity making the transfer) by means of a "true sale" or series of "true sales" to one or more bankruptcy-remote entities, one of which will ultimately issue the ABS to the investors. In cases in which a Federal Deposit Insurance Corp. (FDIC)-insured bank or another bankruptcy-remote entity is transferring the floorplan loans to a bankruptcy-remote entity, such transfer may take the form of a first priority perfected security interest (assuming Fitch receives the appropriate opinion that the FDIC will not seek to repudiate the transfer). Furthermore, if the bankruptcy-remote issuer is issuing debt securities, opinions are typically provided stating that those debt securities are secured by the grant of a first priority perfected security interest in the underlying collateral from the bankruptcy-remote issuer to the indenture trustee for the benefit of the debtholders.

Bankruptcy-remote special purpose entities (SPEs) can take many forms (corporations, limited liability companies, and trusts, among others); however, no matter the form, the SPE should be formed and operated in a manner designed to mitigate the likelihood of both voluntary and involuntary bankruptcy. A properly structured SPE should have restriction on its powers and ability to incur debt, pledge its assets, and merge or reorganize. In addition, the SPE should be bound by a series of covenants that are designed to maintain its separateness and, thereby, mitigate the potential that the SPE and its assets could be substantively consolidated into its parent's bankruptcy.

To ensure that a floorplan securitization is appropriately structured to isolate the pool of floorplan loans from the bankruptcy risk of other parties, Fitch reviews the transaction documentation and legal opinions. Legal opinions should address the nature of the various transfers in the transaction and provide assurance that neither an SPE nor its assets and liabilities would be consolidated with the assets and liabilities of its parent or of the other sellers and/or originators of the floorplan loans in any such party's bankruptcy. With respect to transfers from the sellers and/or originators of the floorplan loans to an SPE (together with all the transfers in between), the legal opinions typically state that the floorplan loans being transferred will not be property of the transferor's bankruptcy estate in the event of such party's bankruptcy or be subject to the automatic stay in such bankruptcy. In addition, the legal opinions also typically state that the pledge of the assets from an intermediate SPE to the issuer and from the issuer to the indenture trustee for the benefit of debtholders (if

applicable) creates a first priority perfected security interest in the floorplan loans and their proceeds.

Floorplan loans are generally considered chattel paper under the applicable state's Uniform Commercial Code (UCC). Opinions are typically given stating that the issuer and indenture trustee, if applicable, have received a first priority perfected security interest in such chattel paper under the local law of the applicable jurisdiction, taking into account whether the chattel paper is tangible chattel paper or electronic chattel paper. The legal opinions should address the perfection of such transfers (whether as a sale or grant of a security interest) between the transferors and transferees.

Floorplan securitizations are also somewhat unique in that the sale or assignment of security interest in some of the collateral, specifically automobiles, recreational vehicles, motor sports, marine, and other "rolling" assets that require titling (rolling stock collateral), is typically governed by certificate of title laws in the applicable states. As a result, the sale of or assignment of security interests in the rolling stock collateral is noted on the title certificate for each automobile. Because of the expenses and difficulty in re-titling such rolling stock collateral, the certificates of title are usually not amended to reflect the subsequent assignments of the liens on the rolling stock collateral to the applicable assignee in the transaction. However, when there are material concentrations of collateral in any state, local counsel opinions are typically provided to confirm that the issuer and indenture trustee, if applicable, will have a first priority perfected security interest in the collateral.

Fitch will review general corporate and enforceability opinions stating that the duties, obligations, and

agreements executed by the issuer are valid and binding, enforceable against the transferor in accordance with their terms, except as enforceability may be limited by applicable bankruptcy and other similar laws. Finally, Fitch also reviews legal opinions addressing the tax status of the issuer in the transaction. Such opinions should state that the issuer would not be subject to federal tax or state and local taxes in all applicable jurisdictions.

■ Related Research

Fitch issued a related research piece earlier this year titled *'Dealer Floorplan Asset-Backed Securities – A Performance Review'* dated May 11, 2006. The research piece is available on Fitch's web site at www.fitchratings.com. In the research piece, Fitch commented on its recent annual review of the dealer floorplan sector. As part of the review, all outstanding dealer floorplan ABS rated by Fitch were examined in both the auto and diversified products (non-auto) floorplan finance sectors. The report provided an overview of dealer floorplan ABS mechanics, described key performance variables, summarized performance trends through March 31, 2006, and discussed Fitch's outlook for the sector in 2006. This comprehensive portfolio review is conducted at least once a year to compare performance across the industry, identify trends and credit concerns, and formally review the ratings, combined with regular monthly surveillance and monitoring. The portfolio review consisted of an evaluation of the lifetime performance of the 22 transactions rated by Fitch at that time. In May 2006, at the time of the review, each transaction was performing as originally expected, which resulted in no ratings actions at that time.

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