

A VERY BRIEF HISTORY OF CATD (1980 to 2007)

Long ago and far, far away, the Cooperative Association of Tractor Dealers, Inc. ("CATD") was born in the tiny hamlet of Memphis, Tennessee. CATD was the "brain child" of Edward Newton, the Treasurer of Taylor Machinery Company (now part of Thompson Machinery Commerce Corporation). He was interested in accessing the lower interest rates available in the commercial paper ("CP") market to supplement Taylor Machinery Company's bank lines. Newton felt the CP rates represented a true interest rate market, as compared to the more artificial prime rate established by the banking community.

He discussed the idea of borrowing in the commercial paper market (or at least borrowing at rates based on commercial paper) with other finance officers he met at a Caterpillar sponsored seminar in Peoria and concluded there was interest among other dealers if a vehicle to the CP market was available. When he failed to find a CP conduit in which his company could participate, he conceived the idea of a "syndicate" of Caterpillar dealers with sufficient collective borrowing power to issue commercial paper.



A meeting of Caterpillar dealer finance officers in Peoria. Five of these attendees became CATD Board Members. Front row middle: Nick Kelly; second row second from left Carl Friel; third from left Ralph Forrest (1st Chairman) and fourth from left Rol McDonough (2nd Chairman). Last row, left side: Ed Newton.

In early 1980, Newton took the idea to Jerry Stone, an investment banker at Lehman Brothers, and the cooperative concept was developed. Stone represented another commercial paper program, the National Rural Utilities Cooperative Finance Corporation, and felt some aspects of its structure could be incorporated into CATD. Jerry became an advisory director to the CATD Board and participated actively through 1985. Despite the title of advisory director, he was most often referred to by the Board members simply as "The Emperor."

Stone had strong contacts at Aetna and persuaded them to consider participating in the CATD project as the surety (guaranteeing the repayment of any loans to dealers which were not paid at maturity). Aetna's bond division was headed by Andy Anderson, who became a strong supporter of their involvement with CATD. His interest was cemented after he and other Aetna staffers accompanied Newton and

Stone to Peoria. Unfortunately, Anderson retired in 1981 before the program was operational. His successor, John Dwyer, was less certain about the wisdom of Aetna's involvement, but was ultimately persuaded that Anderson's enthusiasm was warranted and approved the continuation of Aetna as surety. Aetna assigned Susan Menson to the account as the primary credit analyst.



Lehman Brothers and Aetna visit Peoria. Front row L to R: Jerry Stone and Bob Edmiston (Lehman Brothers), Susan Menson and Andy Anderson (Aetna). Back row L to R: Jon Thompson (President, Taylor Machinery Company), Ed Newton, and Joe Kiernan (Aetna).

After several feasibility and organizational meetings with groups of U.S. Caterpillar dealers in Atlanta, Georgia and Tempe, Arizona, **the Cooperative was incorporated in early 1981. Forty-one U.S. Caterpillar dealers subscribed for stock in the initial offering.** Harry Mills from the National Rural Utilities cooperative acted as a consultant during the start-up process and was hired as the first Executive Vice President in May 1981. **CATD made its first loan in July 1981.**



A1/P1/F1 Ratings in hand and first CATD loan funded, Messrs. Dan Sternberg of Cleary Gottlieb (counsel to Lehman Brothers), Shellie McCain and Ed Newton celebrate by pretending to smoke cigars. Regrettably, in 1993 management declared CATD a "cigar-free cooperative."

Throughout the organizational process and the early operations of CATD, Caterpillar Inc. provided support, encouragement and advice. Two representatives from Caterpillar's North American Commercial Division ("NACD"), Bob Ossenbeck and Dave Lindy, were assigned to assist with the project. Either Ossenbeck or Lindy attended most of the Board meetings held in 1981. Caterpillar has continued its support for CATD. As part of this support, Mike Vanek from NACD has acted as CAT's informal liaison to CATD for more than 10 years.



Ralph Forrest, V.P.-Finance of Gregory Poole Equipment Company (and the first Chairman of CATD), Ed Newton, and Rol McDonough, President of Whayne Supply Company toast Caterpillar's support of the creation of CATD.

Aetna was the surety until 1988. In January, 1988, Aetna gave CATD twelve months notice that it would cease to act as surety in January 1989. CATD began a search for a replacement and in December, 1988 **Capital Markets Assurance Corporation ("CapMAC"), a subsidiary of Citicorp, became the new surety for CATD.** (Ambac was also a Citicorp subsidiary at the time.)

During its first 10 years of operation, CATD made only unsecured loans. This changed in November 1991, when CapMAC agreed to extend borrowing eligibility to CATD shareholders who borrowed secured. Another enhancement to the services provided through CATD was implemented the next year.

Early in 1992, CATD met with Jim Beard and Len McPheeters at **Caterpillar Financial Services Corporation ("CFSC")** in Nashville, Tennessee to discuss the possibility of CFSC credit enhancing a second program for secured CATD members. **In May 1992, Dealers Capital Access Trust ("DCAT") was formed** with CFSC providing credit enhancement to DCAT for eligible borrowers. DCAT is managed by CATD, but is "remotely" owned by the DCAT Trust (an unrelated trust, for the benefit of Harvard University).



Jim Beard and Gordon Beatie discuss DCAT.

Despite providing significant interest expense savings to its members, CATD's loan volume remained around \$100 million from inception well into 1992. In late 1992, as a result of the CapMAC secured borrowers program, the implementation of DCAT and an improving U.S. economy, the loan portfolio (direct and under management by CATD) began to increase dramatically. The total portfolio of CATD loans and DCAT loans managed by CATD is usually in excess of 1.3 Billion Dollars.

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April 3, 1985

TO: All U.S. Caterpillar Dealers
FROM: Harry B. Mills, Executive Vice President
SUBJECT: Current Developments

ROLAND L. MCDONOUGH ELECTED CHAIRMAN
On April 1 Roland L. McDonough, President of Whyne Supply Co. of Louisville, became the Cooperative's second Chairman of the Board, following the retirement of Ralph E. Forrest. Both Mr. McDonough and Mr. Forrest were members of the steering committee which incorporated the Cooperative in February 1981.

LOANS INCREASE 39%
The Cooperative's fiscal year ended on March 31, and loans to member Caterpillar dealers stood at \$112.2 million, which is 38.9% higher than the \$80.8 million volume a year ago.

INTEREST RATE REDUCED
The effective interest rate on borrowers' loans has been reduced 5 basis points as of April 1. The rate will now be the cost of funds plus 1.20% (charged to cover Aetna bonding, overhead and banking expenses).

ANNUAL MEETING - KANSAS CITY JUNE 5-6
The Cooperative's Annual Meeting will be held June 5-6 at the Alameda Plaza Hotel in Kansas City. Please mark your calendars. You will receive reservation information well in advance of the meeting.

Please call if you have any questions or would like further information about the Cooperative.

HBM/cap *Shillie - Win over the \$100 million hurdle gain!*
Harry

What a difference a couple of decades make! In April 1985, Harry Mills sent this memo to the U.S. Caterpillar dealers proudly announcing that loan volume had reached \$112 million. Today CATD regularly issues or manages outstanding commercial paper in excess of \$1.3 billion.



Dolores Coutts and John Harnish of Tractor & Equipment Company at a 1993 closing.

In February 1997, CATD added **Ambac Indemnity Corporation (now Ambac Assurance Corporation)** as a second surety. At the same time, CATD took responsibility for obtaining its own back-up liquidity to support its CP program. **Tuckahoe Funding Company (“Tuckahoe”)** was formed to act as the liquidity provider for CATD. Tuckahoe entered into a credit agreement with **Société Générale** as the agent for itself and other liquidity banks. Tuckahoe replaced 885 Finance (an affiliate of CapMAC) as CATD’s liquidity provider. Tuckahoe is also owned by a trust for the benefit of Harvard University.

In 1998, **CapMAC** was acquired by **MBIA Insurance Corporation** which assumed all of the CapMAC dealer bonds.

In October, 2005 the Cooperative accepted Ambac’s offer to become the sole surety for the CATD program.

In no small part the success of CATD has been attributable to the stability of its operating staff during its twenty-five plus year history. There have been few staff changes at CATD. The first staff consisted of Harry Mills, Glenn Kinard (Vice President) and Jill Rosenberg, who served as their administrative assistant and as the Assistant Treasurer. Mr. Kinard left the program in 1983 and was replaced by Patricia Hall. After Harry Mills’ resignation in 1985, Dolores Coutts was hired as a Vice President. She was promoted to Executive Vice President in 1987 and President in 1995. She retired in June 2007. In 1988 Peter Jacobs succeeded Ms. Hall as the primary financial officer at CATD. His successor, Len Grus, served as assistant treasurer from 1993 until 2005. In 1995 Perry Finney came to CATD and served as Vice President until September 2004. Including Ms. Rosenberg, the organization had five administrative assistants through 2006: Rosenberg, Clarissa Peterson, Debbie Muggeo, Assad Malik and Uniqua Smith.



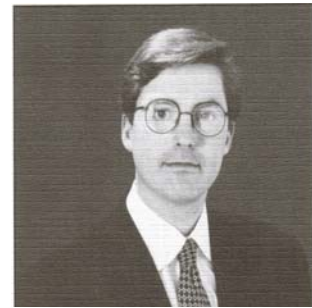
Dolores Coutts



Peter Jacobs



Len Grus



Perry Finney

CATD was headquartered in Maryland (Chevy Chase and Bethesda) from its inception until July 2006. It is now headquartered in **Memphis, Tennessee**. Its Memphis based staff consists of Shellie McCain (President), John Bowman (Vice President & CFO), Mary Ann Lee (Accounting Manager) and Waynette Besser (Funding Coordinator).



Left to right, Mary Ann Lee, Waynette Besser, Shellie McCain and John Bowman.