



Tax- and Transaction-Related News and Commentary from S.Crow Collateral Corp.

## Car Manufacturer, to Satisfy Its Bond Creditors, Turns to S.Crow's Workout-without-Writedown Program

**Dear Dealburt:** When Iceland Motor Co. entered the U.S. market, we expected that our superior technology in car heaters and windshield-defrosting systems would gain market share for us. Our leading model, the Wreckavik, has not exactly become a hot product. We spent too much money on benefits for our employees (hot tubs, ice-fishing lessons, fur coats), sales didn't materialize, and now our bondholders are threatening to force us into bankruptcy. We believe, though, that given another 20 or 30 years, we could become profitable. We tried to get the U.S. government to enact a thaw-out program for us, but that didn't work. Although I am president of Iceland Motor Co. U.S., my day job is selling commercial real estate. In that capacity, I heard about your workout-without-writedown ("WWW") program, and I wondered whether it could apply to businesses as well as to real estate. Could the WWW program prevent us from being frozen out of the credit market?—Jack Frost

**Dear Jack:** Yes, indeed, it can, if you have a clear plan to achieve profitability within three to five years (not 20 or 30!), and if in the meantime the company really will be able to bear the cost of debt service on at least a portion of the debt. Your bondholders' resistance to continuing your credit supply will readily melt away, because the WWW program will assure them that they will be paid. That will take the heat off both them and you.

—Dealburt

**Dear Dealburt:** Well, then, how does WWW work?—Jack Frost

**Dear Jack:** We're not going to give away our secrets, any more than you would give away your technological advantage. After execution of an appropriate agreement for confidentiality, including your company and the bondholders, all will be revealed. Your loan will be fully performing, your bondholders will have no loss, their income will rise immediately, they'll have cash security, and they'll avoid the costs and risks of liquidating your company. Your company will enjoy a reprieve, and your credit will be rescued. I suggest adding air conditioners to your cars, though.—Dealburt



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2009