



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

### WWW Can Break the Logjam and Allow Investors to Buy Notes and Banks to Sell Them, without Writedowns

**Roger Hammerstein:** What I read in the CoStar Advisor Newsletter precisely matches my experience. My investor group has

CoStar Advisor Newsletter, June 10, 2009:

With Defaults Mounting, Buyers with Money Line up for Deals; But Lenders Not Willing to Part with Notes at Distressed Price Levels

been unable, for the most part, to get banks to part with the notes *they* want to sell. The banks insist that they won't sell if the price would force them to take a writedown, but that means that their price has no relationship to the real value of the notes in today's market. It's utterly ridiculous. Can your Workout Without Writedown (WWW) program bridge the price gap?

**Dealburt:** I have duly noted the seriousness of your problem, but you needn't jump off a cleff. Maintain your composure, and we'll work through this. Maybe you can guess: Yes, the WWW program accomplishes *both* parties' objectives: for you and your investors, a price that's appropriate to today's market, and for the bank which sells to you, no writedown. That's music to their ears.

**Roger:** How can that be? The two objectives seem to me to be completely inconsistent with each other. On what do you bass this?

**Dealburt:** They *are* inconsistent with each other. I'm not going to give away the store here, but the solution involves orchestrating additional resources which are brought into the composition in a three-party transaction rather than just a two-party transaction. Those additional resources compensate for the discounted price in several ways, both by providing capital cover for the bank and by increasing the bank's income. The bank doesn't recognize a loss, because it doesn't have one to recognize.

**Roger:** Is this all open and above board? Is it okay with the bank's regulators?

**Dealburt:** It's open for the participants (following a confidentiality agreement), it's above board, and it's transparent for the regulators to see and approve. Everyone involved knows the score and sings the same song before anything happens.



I think I'll take these notes.

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