11/8/2010 Investor Advisory Board (IAB) Meeting Agenda

1:00 PM PST-2:30 PM PST

Item	Time	Duration
Welcome and Intro to the IAB	1:00 PM	10 mts
Brief Updates	1:10 PM	5 mts
Default Trigger Status, Discussion and Next Steps	1:15 PM	20 mts
Redemption Policy Discussion	1:35 PM	20 mts
Portfolio Strategy Options	1:55 PM	20 mts
Q&A	2:15 PM	15 mts

Welcome to the SCRF, L.P. Investor Advisory Board (IAB)

- **The General Partner's goal:** to leverage the diverse and extensive experience within SCRF's investor base by soliciting input on the key decisions facing the Fund

Updates since our last Investor Meeting

- After soliciting new bids and negotiating with Blackman Kallick, 2010's Financial Audit will be performed by Blackman Kallick at a significantly lower fee of $105K vs. $180K+ for the prior two years
- Delinquency and defaults will be covered in the next section

Default Trigger Status, Discussion and Next Steps

- The issue: how should the General Partner (GP) handle the fact that due to a default rate "bubble" we are coming a bit close to our default triggers? (see Background Data below)
- As communicated in the October Investor Newsletter, the GP has already chosen to suspend redemptions and reserve our excess cash for the time being both from the levered and unlevered assets until we are comfortable that the triggers are not an issue
    - As described below in the Background Data, we are now more comfortable that we will not be hitting the triggers over the next few months and that the recent spike we experienced was a "bubble," but we want to prepare for the worst
- Our main options for how to proceed:
    1. Continue to reserve cash from our unlevered assets, and tell Fortress to begin applying our excess cash to reducing the loan balance/advance rate
        - Benefits:
            - We save the interest expense of one-month LIBOR + 5.5% (currently ~5.75%) on the reduced loan amount vs. earning ~0% on it in our bank account if we keep it in SCRF's account

        - This cash applied towards reducing our advance rate can be used to buy up a default trigger if needed (alone or in addition to funds sent to Fortress by SCRF)
        - SCRF can also later borrow the cash back and go back to our maximum advance rate if a trigger buy-up is no longer needed
    - Downsides:
        - By not having the cash in our own bank account, we have less flexibility in how quickly we can withdraw it later
2. Leave the cash in SCRF's bank account
    - Benefits:
        - Higher flexibility in being able to quickly use the cash once the triggers are no longer an issue, and the cash is in Summit's control
    - Downsides:
        - By sitting on the cash at low interest rates, we will dilute the Fund's return, while also paying Fortress ~5.75% interest that could otherwise be saved
3. Line investors up on "Capital Call" to lend money to the Fund short-term (and be paid back ahead of redemptions) in the event the triggers need to be bought up, and continue to disburse SCRF's available cash for redemptions
    - Benefits:
        - If the triggers are not exceeded, redemptions can continue uninterrupted
    - Downsides:
        - If investors on "Capital Call" did not come through as promised when and if needed to buy up a trigger, SCRF could default on our LOC and be charged a higher default interest rate and lose our cash until their loan is paid off

- The GP's Position:
    - Effect choice #1 above to avoid unnecessary loan interest and investor dilution by letting Fortress apply our excess the cash towards reducing our advance rate until we're comfortable we're not at risk of hitting a default trigger
        1. We should still have enough cash to pay our bills from our unpledged assets so we can afford to have Fortress apply all our excess cash to reducing the advance rate
    - Additionally, solicit investors interested in loaning money to the Fund on a short-term basis and negotiate loan terms so that in the event that a trigger is exceeded without the Fund having time to apply sufficient cash to the advance rate to buy up a trigger, we can still avoid a loan default
        1. The benefit of not defaulting is significant enough that it should be avoided at all costs
        2. Please let us know if you have an interest in being on "Call" to loan money to the Fund short term
    - The GP's comfort zone to begin disbursing cash again:
        1. 3 months of consecutive 11% or below defaults, or building up enough cash to buy the triggers up at least 1%

- **Investor Feedback?**
    - **TBD**

Default Trigger Background Data

- Reminder: SCRF's default triggers are as follows:
    - 13% three month rolling average default rate
    - 12% six month rolling average default rate
- Overview of SCRF's historical and projected future default levels for our levered assets
    - Z:\Summit\Fortress Credit Line\Reports\20101018 3_6 mth averages.xlsx (sent to investors by Email), and
    - Z:\Summit\Fortress Credit Line\Reports\20100228 Trigger Worksheet.xlsx (to be reviewed in the meeting if needed)
    - Default levels though October 2010
        1. 3 month cumulative average default – 10.63% ($795,097 below the 13% trigger)
        2. 6 month cumulative average default – 8.90% ($1.040M below the 12% trigger)
    - Projected near term default levels
        1. High water mark of 12.57% annualized one month default in November
        2. 3 month cumulative average default high water mark – 12.13% in November ($283,357 below the 13% trigger)
        3. 6 month cumulative average default high water mark – 10.63% in February 2011 ($416,974 below the 12% trigger)
    - Conclusions for recent performance and near term projections
        1. We experienced a "bubble" of defaults from September 2010 through November 2010, not a continuing upward trend
        2. Higher than normal bankruptcy levels
            - Averaged 3.53% from September through November (if no additional bankruptcy charge-offs beyond current expectations)
            - Averaged 3.07% from January through August
        3. **The Good News: near term account reviews and portfolio delinquency trending shows stability and decreasing defaults over next 90-120 days**
            - Lower than expected December 2010 defaults despite traditional seasonal bump (projecting a 2.0% decrease from November to December)
            - Expected monthly annualized defaults of 8.29%, 8.50% and 9.12% for 2011Q1
    - Longer term conclusions and Collections Actions
        1. Based on industry data and trending we expect stability into the first half of 2011
        2. However, we are still subject to higher than historical portfolio volatility

        - Consumer bankruptcies are less predictable and stable
        - We previously experienced an unexpected default bubble late in 2010Q1/early 2010Q2 despite normal seasonal improvements
    3. SCRF's trigger levels are heavily monitored and risk exposure can be identified as far as 90 days out
    4. Additionally, new data sources and analytical tools are being explored to help provide increased accuracy in default forecasts
        - Review of key data points within the portfolio
            - State/geographical performance
            - Performance of secured versus unsecured debt
            - Analysis of accounts by % of original Pbal still remaining
            - …Others are being explored as well
        - Tools available with assistance from third parties
            - New FICO scoring of our existing portfolio along with credit bureau default predictors by FICO range and Bankruptcy scores to assist with BK prediction
            - Review of current mortgage balance vs. home equity position for consumers
                - E.g., Zillow.com for approx. home equity and mortgage balance from new credit reports

- We met with Fortress after the last investor meeting, and they were willing to give us the following flexibility:
    - After the end of a month, we have until the 15th of the following month (the reporting date) to notify them in writing we want to buy up the triggers, and the 20th to remit the cash to do so.
        1. This means we have the flexibility to wait until we know whether we exceeded the trigger defaults and THEN buy the triggers up if needed
    - Summit may elect to have Fortress trap cash which would normally go to SCRF each month and apply it to reducing our loan advance rate, and if the advance rate has been reduced sufficiently to meet a trigger buy-up (2% reduction in advance rate for a 1% default buy-up, approx. $750K for a 1% buy-up) we can elect to permanently reduce the advance rate and increase the default and delinquency triggers. Of course, we can also send Fortress cash to do so.
        1. We can always borrow the money back if we don't buy up a trigger and want to withdraw the cash, and get back to the max. advance rate (even if the amount withheld is more than the trigger buy-up amount(s)).
        2. That said, only cashflow from the receivables can be used to get us back to the max. advance rate
            - However, the amount we would normally apply to principal repayment could be distributed out to us; currently $600K/month, plus the excess

cash so we could likely borrow the money back out within a few months time

3. If we actually buy the triggers up, they stay bought up and we have a new max. advance rate.

Redemption Policy Discussion

- The issue: should the Fund's redemption policy be changed from the policy of redeeming investors in the order that redemption requests are received?
- Background:
    - The Fund has always redeemed investors in this fashion; and the revised Fund documents put into place last year clarified this policy further
    - Some investors have suggested alternative methods of handling redemptions.
- Some options include:
    1. Keeping the existing policy unchanged
    2. Switching to pro-rata redemptions for all investors
        - Pros:
            - Avoids any investors being enriched or hurt vs. other investors if valuations change dramatically
        - Cons:
            - Some investors have had redemptions in the pipeline for over a year; switching to pro-rata would significantly alter when and how they would receive their redemption cash
    2. Capping how much a redeeming investor could withdraw at say, 75% (or some other fixed %), with the remaining 25% staying in a "pro rata" pool for the life of the Fund (or until requested redemptions are complete)
    3. Continuing to handle "past due" redemption first-come-first-served, but all newer redemptions pro-rata
    4. Divide available cash into two streams, and allocate the first stream at a fixed % to redeeming investors first-come-first-served, and the second stream at a fixed % to all redeeming investors pro-rata
    5. Create an internal "investor Exchange" wherein investors wanting to sell their capital account can solicit bids from other SCRF investors
- The GP's Position:
    - Continue with option #1 above, as any changes at this point will disadvantage some investors and benefit others, and there is no perfect policy—and changing it will not only require a super-majority which might be hard to achieve, but could also open up the Fund to investor conflict
        1. The GP sees it as critical from a fairness standpoint that the Fund's valuations be as accurate as possible, requiring default forecasts and future cash projections to be updated frequently (SAI is working on an update now)

    - Additionally, the GP is willing to facilitate an “investor Exchange” (option 5 above) if there is interest
- **Investor Feedback?**
    - **TBD**

Portfolio Strategy Options

- The issue: what strategies should the GP pursue for how to handle the Fund’s portfolio?
- Some options include:
    1. Continue to seek new investors for SCRF, and let the portfolio earn out to maturity
    2. Seek new investors for an alternate structure (e.g., a Multi-Series Fund (MSF)), and let the SCRF portfolio earn out to maturity—with the potential of selling paper to the MSF
    3. Sell the portfolio to the highest bidder
    4. Cash investors out through a buyer who would “purchase” the investors’ capital accounts
        a. i.e. Gerova’s offer—exchange of Gerova stock for Fund equity
- The GP’s Position:
    - The GP believes that based on current market pricing selling the portfolio to the highest bidder would not be in investors’ best interest and would result in the lowest return to investors.
    - SAI is pursuing all the other options above and supports creating an “investor Exchange” as mentioned above if some investors prefer the “sell to the highest bidder” option
- **Investor Feedback?**
    - **TBD**

Q&A