

Q. NLH-108 CA (Re: Page 16, lines 12-13)

Dr. Kalymon states that a portion of the guarantee fee is providing compensation for the implicit equity investment. How, if at all, would Dr. Kalymon's analysis of the appropriate compensation to the equity holder change if the debt were guaranteed by and the fee were paid, to a third party?

A. **If the debt guarantee was provided by a third party and the fee payable to a third party, then the level of the fee should be tested to determine whether it is consistent with the financial service provided. The returns allowed to the equity holder would be adjusted by any disallowed guarantee fee.**