

Q: In a recently settled case, BOFI and Quickbridge Funding (BlackRock Lending Group ) agreed to walk away from a bankruptcy litigation over a \$133,000 loan made in December, 2014 to Lam Cloud Group by paying \$30,000.

The implications for the bank's balance sheet are stark -- Does BOFI have a comment on this decision?

*A: "Question 9 wrongly concludes that the Lam Cloud settlement has implications, let alone a "stark" implications, for the Bank's balance sheet. As evident from Lam Cloud's bankruptcy file, the subject loan was sold by the Bank in a true sale without retention of any credit exposure. While the Bank does not comment on its agreements with specific counterparties, please note that as a general matter a bank sponsorship agreement will require the counterparty to assume broad indemnification obligations. In evaluating the Bank's balance sheet you should also bear in mind that, as stated by Mr. Garrabrants during the April 2017 earnings call, the Bank's "[a]sset quality remains and credit losses remain close to zero, with one basis point of net recoveries in the third quarter and one basis point of net charge offs for the nine months ended March 31, 2017."*