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**From:** Parker Lewis [PL@haymancapital.com]  
**Sent:** 6/12/2015 3:15:28 PM  
**To:** J. Kyle Bass [k@haymancapital.com]  
**CC:** Andy Jent [aj@haymancapital.com]; Henry Becker [HB@haymancapital.com]  
**Subject:** RCAP Up on Citi Note  
**Attachments:** image001.png; image002.png; image003.png; image004.png; image005.png; image006.png; image007.jpg

Not a lot of analysts cover RCAP but Citi does and their analyst is one of its biggest cheerleaders; the one thing that he mentions that will concretely give the stock support is if the company can get a waiver or amendment on its leverage covenant, which they are apparently in the process of working on. I've spoken with this analyst several times; he definitely drank the cool-aid. Even if RCAP gets a waiver or extension, it will not change the ultimate outcome for the business and it's downward trajectory, especially when news breaks of UDF

Can The Stock Pull Out Of Its Gravitational Descent? Favorable Q&A with CEO And CFO

RCS Capital Corporation (RCAP)

12 June 2015

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This company belongs to Focus List  
Buy/High Risk

Price (11 Jun 15)

US\$6.94

Target price

US\$18.00

Expected share price return

159.4%

Expected dividend yield

0.0%

Expected total return

159.4%

Market Cap

US\$536M

\* Favorable Q&A With Management

Given the further decline in the shares, we ran through a series of topics with the CEO + CFO. Our discussion covered: 1) debt dynamics; 2) EBITDA disclosure; 3) wholesale economics; 4) recent regulatory filings (and implications); and, 5) an update on the DoL proposal. While clearly the decline in the shares has us second guessing ourselves, we believe the recent trading reflects adverse technicals owing to the decline in the shares themselves (against thin float); the absence of action by management since 1Q results; and, developments elsewhere, notably at Neutral-rated LPLA, but not due to adverse fundamental changes. Our conversation was constructive but...

\* ...2Q Will Be Make Or Break On Management Credibility

As the firm will need to deliver on: 1) Retail B/D adjusted EBITDA targets; 2) wholesale profitability; and, 3) restructuring of debt covenants, the latter likely to stem the negative feedback loop on the shares, we believe. However, given management's inability to deliver on financials recently, 2Q is now "make or break" time around credibility. No question, the shares screen cheaply, and we now think rate leverage alone (see also 5/11, No Debt (or Equity) Call Likely; still see A "Double"