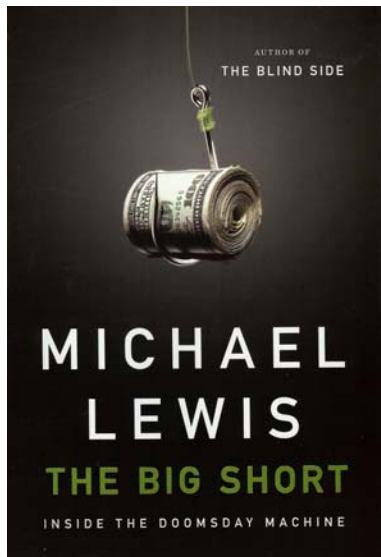


May, 2010

Dear Friends and Clients,

Last week, while shopping at Costco, Leslie parked me at the book section – our usual routine while we're at Costco.

Perusing the selections in no particular hurry, I meandered down the book table. Normally, I'm a fiction kind of a guy but with some curiosity I picked up "The Big Short" by Michael Lewis and started thumbing through it. Being in real estate, I didn't much care for a re-hash of the sub-prime/Wall Street fiasco that has caused our nation such great distress...



But I decided to waste 15 bucks and give the book a shot. To my surprise, it was hard to put the book down!

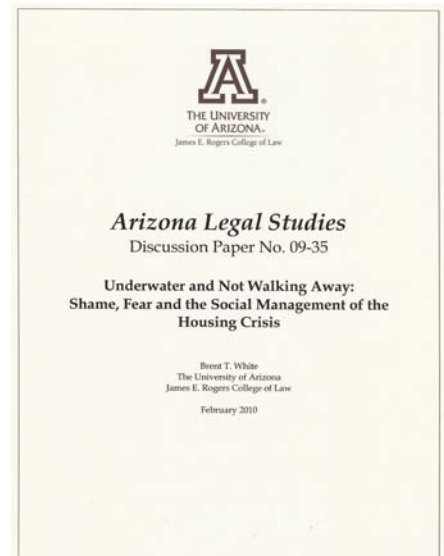
I've since found out the book is a best seller, especially in the financial community. As I write this, the Wall Street Journal is reporting on the Senate's (and other federal agencies) investigations into the very arcane world of credit default swaps, CDOs, derivatives, hedge funds, the big Wall Street investment banks – and why they couldn't get enough of the sub-prime loans Countrywide, WaMu, Wachovia, Option One, IndyMac, etc, were pumping out.

Being in my sixth decade, I've come to realize life is complicated, complex and multi-faceted. After reading the book, I was doing a bit of research this week about turmoil in commercial real estate and stumbled on this paper written by a Professor at the University of Arizona.

His thesis? If big companies can walk away from their bad real estate purchases made at the height of the real estate boom (i.e., Morgan Stanley on 5 office buildings in San Francisco), why shouldn't homeowners also do a "**Strategic Default**"?

He states "that most homeowners choose not to **strategically default** as a result of two emotional forces: 1) the desire to avoid the shame and guilt of foreclosure; and 2) exaggerated anxiety over foreclosure's perceived consequences".

Not only that, he states that "these emotional constraints are actively cultivated by the government and other social control agents in order to encourage homeowners to follow social and moral norms related to the honoring of financial obligations – and to ignore market and legal norms under which strategic default might be both viable and the wisest financial decision".



Intrigued by this reasoning? Who's right? Wall Street or the guy on Main Street? Both? Neither? Read the rest of the story on our site at [DonNelsonTeam.com](http://DonNelsonTeam.com)!

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