

Sumitomo Bank of California

611 West 6th Street
Suite 3900
Los Angeles, CA 90017
213/362-5750

Business Lending Division

June 13,1996

To: Donald F. Reid Chief Compliance Officer & Manager LGRD

From: Warren H. Brazas Vice President & Business Development Officer LA BLD

Subject: Dolphin Industries,Inc.

Just some additional clarification regarding the letter which was sent to Patricia Pauley. First of all she is one of many civilian and military contracting officers who work at the 32nd Street Naval Facility in San Diego. She is not part of the SBA and has no input on whether or not a loan is made or a guarantee is granted. The only influence she has is in the award of work to contractors. What she did do was to pull a lucrative LCU contract for \$1,500,000 away from Dolphin Industries,Inc. which was scheduled to be an 8(a) set aside. She did this because the SBA had not come through with their approval for funding the 7(a) loan. This caused Dolphin Industries to not have the funds to acquire the Port District property which was needed to support the LCU.Ms.Pauley substituted a YON(fuel barge) worth \$359,000. She did this in January of 1996. The schedule to start work on this project was pushed back again due to the SBA delaying their approval and then sending the loan request to San Francisco for approval.Again, the delay lies squarely with the SBA. Should you require further verification of this,please contact Mr. Kenneth D. Terrell Vice President & General Counsel for Dolphin Industries Inc. He has been involved with the entire process since inception .

Again,this loan was well on the way toward approval before my letter went to Ms.Pauley. Any accusation or implication that this letter was used to induce the SBA to guarantee our loan is a blatant absurdity. Mr Davis and Mr. Terrell met with Mr. Charles Stewart in San Francisco about a week before Mr. Stewart approved the loan/guarantee. If there was any inducement,perhaps it was the extensive interview process that Mr. Davis was subjected to at that time and apparently passed cum laude.

Ms. Pauley was not and never has been in the SBA approval loop. Consequently she becomes a moot point in the aforementioned sentence.

Mr. Terrell has asked that if there is any additional clarification necessary,he would be happy to provide this. He can be reached at (619)336-2288.

Respectfully Submitted,

Warren H. Brazas

Warren H. Brazas

Vice President

Sumitomo Bank of California

Business Lending Dept.