



BOND STREET CAPITAL NEWS

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Reports from the War Zone

Things are changing so fast this year that part of my daily ritual now includes intelligence gathering. Every day I make a few calls to folks in the know to gather information. Collecting timely information is now critical as we plan our operating strategy for next year. Should we add offices? Do we hunker down? Do we go full steam ahead? What programs do we focus on? Is the market improving or getting worse? These are the questions that keep me up nights (along with the snoring dog that sleeps in the chair next to my bed.)

Heard in the last few days:

Crash in Confidence

A good friend recently attended an "all hands closed conference" at one of the major investment banks for key customers, rating agencies representatives, and "B" piece buyers. Speaker after speaker got up and traced, from their individual perspective, the cause of the problems with blame being shifted from here to there. Finally at the end, the head of the Capital Markets group said "folks, we have listened to a lot of folks tell us how we got here but not one has told us how to fix it. Frankly, it's broken; the whole market is broken and we don't know how to fix it. We have never experienced anything like this. No one knows what anything is worth. **It's a crash in confidence with no end in sight.**"

Show Me the Loans

One of our key Investors is a bank managed by a former Wall Street trader. His response to the crisis: **Show me the loans! Show me the loans!** Not only is he not pulling in his horns, he is getting more aggressive. He views this as the best opportunity that he has had in the last ten years to put quality assets on the books. He has a double barrel benefit going. His cost of money is dropping but loan rates are not. Spreads are widening and he is one happy camper.

The Vultures are Gathering.

Are we near the bottom yet? Some folks think so. Lots of money being raised to buy distressed loans and foreclosed properties. One friend told me that he has personally committed over 5 million to a group bidding on foreclosed residential properties. When another friend (in the employment business) called and told me that he was going into a syndicated deal to purchase foreclosed homes, it tells me that the bottom feeding speculators are in the game. Are they too early or are they getting in at just the right time? Only time will tell. Perhaps a little greed will stabilize the market.

Strange But True: CTL is still rockin'

Typically the term "Capital Markets" is used to describe any transaction packaged in bond form and sold to investors. While most of the CM is in trouble, the Credit Tenant Lease market is still very solid. Example, we recently quoted a Walgreens on a fully amortizing basis in the 170 to 180 over the interpolated 12 year Treasury while our best bid in the conduit was 275 plus. How come the wide spread? **No holding risk!** CTL loans are presold in private placements at close. This means that the originator does not have to price in the risk of holding the paper on its balance sheet for any extended period. Reduced risk means reduced pricing.

We are currently in the process of underwriting a deal in which a municipality has signed a 26 year lease with a developer for a new building. The municipality is "A-" rated. His cost in the deal will be about \$10,000,000. His loan will be about \$16,000,000, representing nearly 100% loan to value. And, the best part is that we close this loan on the signing of the lease, funding the full amount.

If you have a signed lease from a rated tenant, this is the best deal in the market! Your profit is funded before you start construction! Call for details!

Final comment: *On Saturday morning I decided I wanted a Wii. (If you have to ask what it is, you can stop reading now.) I didn't even think about it until I saw all of the craziness that folks were going through to find one and it looks very cool. Since everyone wants one, I had to have it. So, the search began and ended rather quickly. No Wii's to be found at normal prices anywhere near me and I ain't*

paying over retail! Ok, the toy itch has to be scratched and so it's off to the mall. Then I saw it: The Apple Store. In I went, and out I came with the new IMAC. Not just a computer, a work of art! Even the packaging was beautiful. But as a life time PC guy, would it stand up to the latest offering I have from HP? Yes, and then some and then some more. The quality of my photos as viewed on that screen is mind boggling. I spent hours and hours playing with it and, it really is incredible.

*Now, however, I am in real trouble. I now want one for the office. Once everyone sees it, they will all want one. **This will turn out to be one very expensive toy. I should have looked harder for the Wii.***

Joe Forman