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Rates

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Prime Rate	5.00	5 Yr T	3.27
1 Month Libor	2.46	10 Yr. T	3.96
3 Month Libor	2.68	5 Yr. Swaps	4.09
6 Month Libor	2.85	10 Yr. Swaps	4.62

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The Disgusting Saga of Miscreant Rat

I know you haven't heard from me in a while. You're probably thinking the meds I have been taking for the shoulder surgery have put me in a semi-comatose state. Ah, I would love to use that excuse but I was off the heavy meds three days after the surgery. (I guess that means I have no excuses for this newsletter.)

No, we have been closing deals, starting new programs, rebuilding the web site, retooling the newsletter, and dealing with "miscreants and warriors."

Miscreants? Warriors? What does this have to do with commercial real estate? It's about human behavior. We are in challenging times. These are times when character is exposed. My week started with criminality and ended with the other side of the human experience. Now I have your attention! Read on, read on, read on!

Capital Markets Update

Depending on whom you believe, the capital markets are improving, the same or getting worse. My read of the tea leaves is that the worst is probably behind us. We are moving into a stabilized period. This isn't necessarily good news because we are still in a capital crunch but at least the flood of bad news is probably over. I expect a trickle here or there but the "at-risk" companies are either gone or in a survival mode that will carry them for the near future.

Conduit spreads are narrowing. Rates have "dived into the low 7's." That is still not very attractive when you consider that we still have plenty of money priced in the mid to high 6's at a fraction of the front end cost with little or no prepayment penalty. However, the reemergence of the capital markets is really, really important for everyone. We need liquidity in the market. The more confidence investors have in

their ability to determine value, the more active they will become, the more competition we will have and the money will get off of the side lines.

Bridge and Mezz looking for a home: It continues to amaze me as to how much money is out there for the good bridge or mezz deal. This tells me that investors see the market as having bottomed and property values stabilizing. I am more amazed, however, as to how tough it is to get well priced senior debt for large transactions. Yes we have these sources but the deals have to be very, very good. No, we cannot finance that \$140,000,000 condo deal in Vegas that no less than 6 brokers have sent us in the last few weeks. But, we can finance that \$50,000,000 Class "A" income property on "reasonable" terms. That is "reasonable" by today's standards.

New Programs:

DAAP (Distressed Asset Acquisition Program) is generating lots of excitement. This program provides capital for developers and asset managers acquiring loans or REO for banks. Both debt and equity is available. Call your Bond Street representative for more details.

PROGRAM 9.9 is here! This is a program to finance assets and borrowers that cannot qualify for an institutional loan but deserve better than typical bridge or hard money financing. **Rates start at 9.9%** for up to three years. This is for income producing properties that are moving towards stabilization but are not quite there yet or borrowers who have great assets but are credit impaired. Call for further details.

The Best We Have:

I very rarely use this space to promote charitable activities. We all get too many requests to honor as it is. However, once in a while I am moved to share with you something I discovered that I believe is worthy of attention. This weekend Nancy and I spent some time with Ken and Cheryl Cohen learning about the Warrior project. Cheryl is a world class photographer who has contributed to an incredible book and film about the "Warriors" that have protected our country. We need to change the image promulgated by the media that the men and woman who serve in our military are society's rejects. To quote from the web site: "This project will show people what intelligent, honorable, and brave people we have standing in the way of the free world's demise." Please visit www.looc.org for more information. Please forward this web site address to everyone you know.

On the other side: "Low Lives in the Midst"

miscreant | miskrēant| **noun: a person who behaves badly or in a way that breaks the law.**

Last week I spent a huge amount of time and energy dealing with someone who defrauded us. We trusted this person and they stuck a knife in our gut. Do I sound angry Nah, I am happy as a man who won the lottery. I just love dealing with these kinds of people. They "make my day!" (Where is "Harry Callahan" when we need him?)

The actions of an individual who does these kinds of things tarnishes everyone he touches. We don't need people like this in our business or our lives.

The problem is, that some of our brethren in our business think it is ok to cheat, steal and lie. They trump up some wrong that has been done to them to justify their conduct or they just assume that they can get away with it. Who will care? Who will call them on it?

Sometimes this behavior is cloaked in the prestige of the huge corporation. Hey, the big guys would never misbehave-, (hmm, how about Enron) or the Wall Street trading machines. It even gets down to the level of the naive borrower who allows a broker to "state" his income as three times what he actually takes home. Or,the loan agent that cheats his employer by doing deals "on the side." Fraud is fraud and there is no excuse for it.

I can't tell you how many times I have gotten calls asking us to participate in schemes that are clearly fraudulent. My favorite is the guy who called telling me that his company has a special program that he would like us to participate in. By the time he finishes describing his "program", the unethical, fraudulent parts jump out like a disturbed rattle snake. Of course it is legit and he has been doing the program with lenders for years. Legit? More BS. Fraud is fraud.

When I caught our guy, he lied and lied about what he had done. He thinks he has he has gotten away with it. Well, I can smell BS a mile away. *If it walks like a duck, talks like a duck, and (fill in the word) like a duck, you can bet it is a DUCK! No, wait I got that wrong. (The duck anti-defamation league will attack me for disparaging our fine feathered friends.)* No, our friend is really a disgusting criminal RAT. (no one will come to the defense of the rat.)

So, I spent my week with lawyers and investigators and police. Boy has that been a good use of time. But the impact is more far reaching. I now need to impose a whole new set of more stringent internal controls to make sure that we are protected and our reputation with our investors and clients is preserved. Some of these controls may feel like over-kill to the staff but I now join the ranks of the skeptical and cautious. I am moving into a defensive crouch. The easy money times are over and I expect that more "miscreants" within our industry will surface. Now, I am on-guard. I am now looking for the next MISCREANT RAT!

That's it!!! Forget real estate, I am going into showbiz!

*I am going to write and produce a new musical for Broadway. I am going to call it **The Disgusting Saga of Miscreant Rat. Or how about How to Succeed in Business by Cheating Stealing and Lying!** Either way, I am sure it will be a hit!*

- Joe Forman, President and CEO
The Bond Street Capital Companies