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Subject: Production Observations & Comments from Producers

I wanted to share some observations from our production to date and relay some feedback received from our producers at a meeting that George and I convened last Friday, as well as feedback received in recent one-on-one discussions. (Note to George: please feel free to point out where I am not correct [I had a hard time piecing together the production numbers, and could very well have made a mistake], or where my views are not consistent with yours). I'd like to classify my observations into good news and bad news, based on production through 4/14/00.

#### **First, The Good News . . .**

- Fiscal year to date production is \$326mm, and there are \$337mm in deals in process (i.e. Application signed with money up or better).
- If we are able to replicate last week's deals signed up, or last month's deals signed up, we would generate fiscal 2000 production between \$1.2B to \$1.3B. Refer to attachment to see how this projection is arrived at. Taking into account that the April launch of the CreditSource Commercial Program is off to a strong start, our \$1.5B targeted production could be achieved, and likely exceeded.
- The \$52mm deals signed up last week were all from CreditSource Commercial (i.e. Dean Witter)
- 71% of the \$204mm in deals signed up over the past month were from GMAC and Dean Witter

#### **Now, the bad news . . .**

- The level of frustration across all bankers is quite high
- Our concept of quoting dynamic spot pricing for the fixed rate product is problematic to winning business and maintaining credibility in the market -- as cautioned by Bill Schaub (SVP, and Chief Credit Officer of MSDW Credit Corp), who saw this first hand at Merrill Lynch, this is a sure fire way of killing the success of the CreditSource Commercial Program.
- To quote our producers, "Our pricing in effect says we are out of business"
- Rather than quote our current grid, bankers are "just passing on quoting deals altogether"
- Our credit view on single tenant deals is draconian vis-a-vis other lenders
- "It appears that our credit standards have increased dramatically"
- It is so painful to do a 3 year floating rate deal, that "we are ready to just give up on this product" -- it is "like running the gauntlet from hell"
- With regard to 3 year floaters, "we have no confidence that we can negotiate deals because it appears we will find a reason not to do it at the 11th hour"
- "We receive inconsistent messages -- some tell us we can market a full line of products pursuant to the terms contained in the program term sheets, and others tell us privately that we really don't have an appetite to do any convertible bridge loans, or high yield loans" -- this is also highly problematic, when marketing to the CreditSource Commercial channel.
- The bankers don't understand the pricing parameters and feel as though there is inconsistency in

how deals are priced

The Bankers have expressed concern in getting timely feedback from "the desk", requiring having to duck client calls because they can't get this much-needed feedback on a timely basis.

It would be beneficial to address these matters as soon as possible, because we appear to be at a critical point where timely reaction can make the difference between success and failure.

Spencer



Production Analysis - April 14, 2000.