7A(c)(1)

Verne, B. Michael

From: [redacted]
Sent: Friday, March 06, 2009 4:07 PM
To: Verne, B. Michael
Cc: [redacted]
Subject: Bank Loans Question
Importance: High

Mike - we don't seem to be able to hook up by telephone so I am going to try to give you the questions by email.

A large specialty lender is in financial difficulty (but solvent). I believe that it has not been making new loans for some period of time, although I understand that it has continued to service loans made previously. It is part of a much larger multi-billion dollar financial enterprise (lets call it X-Bank) some parts of which have already been sold, other parts of which will be sold separately later when appropriate buyers are found.

This specialty lending aspect of X-Bank is going to be sold in a number of pieces. Most of the sales will consist solely of loans (in total the face amount of the specialty loans to be sold is about $700 million - I don' t know how the loans are split as between assets of the sub and of X-Bank, but they were funded by X-Bank) to a number of different and unrelated buyers.

One of the transactions will be a sale of the operating assets of the specialty lending unit subsidiary: name, computers, building, land, furniture, fixtures, software, etc. The aggregate total consideration for these hard and soft assets will be around $5 million – in any event WAY under the threshold. That same buyer (or an entity within the same person) will also purchase a portion of this specialty loan portfolio of the sub and of X-Bank -- probably less than 15% of the total portfolio -- potentially in separate agreement, for a discounted purchase price which when aggregated with the value of the hard and soft assets will, assume for purposes of the question, be valued at more than $65.2 million. After the transaction the buyer will resume the specialty lending business and continue the loan servicing operations of the seller. I don't know for sure if it will use the name used by the prior business or not. The buyer is a bank and may require some form of regulatory review and/or approval by the Office of Thrift Supervision -- though I don't know for sure under what provision.

Leaving aside the possibility that the transaction might be exempt under the banking exemptions of 7a(c)(7) or (8) or 802.6, is this reportable? I think not, but need some confirmation.

The buyer is not purchasing substantially all of the assets of X-Bank or even of this particular business unit -- as the assets (in the form of the loan portfolio) are being split among various buyers. The unit is not substantially all of the business of X-Bank nor is it even a particularly large portion of it, and X-Bank has other units that make other types of loans (though I don't know whether any of the other units used to make the particular type of specialty loans that this unit made.)

Please let me know if you need any other information. [redacted]chime in if I have omitted anything significant.) Thank you as always for your help.

AGREE
BM
3/9/09

Regards,

[redacted]