

Collateral Call Status

Due to the extreme illiquidity of the reference bonds and the current environment, all of the CSA calls we have had for the CDO negative basis trades we have currently are friendly discussions rather than disputed calls. All of the dealers have been willing to enter into a dialogue to try and best sort out the CSA calls as they appreciate that there is no clear market level to use. We are having such discussions with all of the counterparties listed below and there is no urgency on their part to resolve these issues as they all fully understand how difficult it is to get true prices. All of the dealers feel that as the market is under extreme stress that prices should perhaps be lower but none have any real idea as to how best to calculate that price or if indeed that statement is true. The market is so illiquid that there are no willing takers of risk currently so valuations are simply best guesses and there is no two way market in any sense of the term.

Below I have listed the current status with each dealer and shown the prices they have used. At the end I have summarised all of the prices to show the range we have when we do have instances of deals having more than one price. There is no one dealer with more knowledge than the others or with a better deal flow of trades and all admit to "guesstimating" pricing

Merrill Lynch:

We have \$9.92bn of CDO negative basis trades on with Merrill Lynch currently. This is made up from 22 different bonds from 20 different transactions. In all of the trades there is an 8% price threshold before any posting is required and as with all of our CDO negative basis trades the posting is based on the cash bond price not the value of our CDS contract. As of Monday 26th November they had made calls under 18 of these trades asking for a total collateral amount of \$610mm. The prices they quoted and for which bonds are shown below:

Bernoulli	A-1A	74.96%
Bernoulli	A-1B	74.17%
Cascade	A1	91.16%
Duke Funding VIII	A1S	85.00%
Fort Sheridan	A1	86.89%
Fort Sheridan	A1	86.23%
Glacier III	A-1	84.74%
Independence V	A1	90.00%
Independence VI	A-1	79.54%
Jupiter II	A1	85.67%
Khaleej II	A1	66.80%
Kleros	A-1	86.00%
Montauk Point	A-1	55.00%
Neptune 2004-1	A11A	90.00%
Neptune II	A-1	80.00%
Straits Global ABS CDO	A1	89.67%

Streeterville ABS CDO		
Ltd	A1	89.97%
Toro	A	89.98%

There are 4 remaining positions that they have not made collateral calls on, implying they see the prices in excess of 92%. These trades are:

Lakeside II	A1
Mercury ABS CDO 2004-	
I	A1VB
South Coast IV	A1
South Coast V	A1

We have disputed the call with them and they agree that prices are too illiquid to be reliable. They are investigating internally an alternative solution to the pricing mechanism and we expect them to revert soon.

Bank of Montreal:

We have \$1.6bn of CDO negative basis trades on with Bank of Montreal. This is made up of 9 different bonds from 4 transactions. There is no threshold to the CSA so we are required to post as soon as prices deviate are below 100.00%. They have made collateral calls totalling 41mm. The prices they quoted and for which bonds are shown below:

Bluegrass		
2004-II	A1TB	99.35%
Bluegrass		
2004-II	A1TA	98.89%
Davis Square I	A1B	99.55%
Davis Square I	A1C	99.55%
Davis Square I	A1D	99.55%
Duke VI	Series 3 Notes	99.20%
Putnam 2002-1	A-1MT-A	93.35%
Putnam 2002-1	A-1MT-B	93.35%
Putnam 2002-1	A-1MT-C	93.35%

Calyon

We have \$4.5bn of CDO negative basis trades on with Calyon. This is made up of 9 different bonds from 4 transactions. There is an 8% threshold to the CSA. They have made collateral calls totalling \$343mm. The prices they quoted and for which bonds are shown below:

Davis Sq III	A1LT	95.00%
	<i>commercial</i>	
Davis Sq III	<i>paper</i>	95.00%
	<i>commercial</i>	
Davis Square V	<i>paper</i>	75.00%

Duke 2004-7	1A1	80.00%
Monroe Harbor	A-1A	90.00%
Monroe Harbor	A-1B	90.00%

As with Socgen, Calyon do not calculate prices them selves and rely on the bank that sold the bonds to them to provide levels. Half of the levels came from Goldman. We have disputed the call with Calyon and have just started discussions as to a solution.

Deutsche Bank

We have \$600mm of CDO negative basis trades on with DB. This is made up of 1 bonds. There is a 10% threshold to the CSA. They have made no collateral calls.

Palisades	A1A
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Goldman Sachs

We have \$23bn of CDO negative basis trades on with Goldman Sachs. This is made up of 51 different positions from 33 transactions. 7 transactions are only eligible for inclusion under the CSA if the lower rated tranches are downgraded and as that has not happened they are not included in any CSA calculation: These total \$5.2bn and are shown below:

Abacus 2004-1
Abacus 2004-2
Abacus 2005-2
Abacus 2005-3
Abacus 2005-CB1
Abacus 2006-NS1
Abacus 2007-18

There are different thresholds to the CSA for the different trades with some with no threshold and the majority with 4%. They have made collateral calls totalling \$3bn on 38 positions covering 23 different transactions. The prices they quoted and for which bonds are shown below:

Altius II	A-1	87.50%
Broderick	A-1V	67.50%
	A-	
Broderick	1NVA	67.50%
	A-	
Broderick	1NVB	67.50%
Duke 2004-7	1A2	70.00%
Duke 2004-7	1A2v	70.00%

Dunhill	A1NV	75.00%
Dunhill	A1VA	75.00%
Huntington	A-1A	80.00%
Huntington	A-1B	80.00%
Independence V	A1	67.50%
Ischus II	A-1A	55.00%
Ischus II	A-1B	55.00%
	A-	
Jupiter III	1NV	75.00%
	A-	
Jupiter III	1VA	75.00%
	A-	
Kleros II	1NV	82.50%
Kleros II	A-1V	82.50%
	A-	
Lexington	1ANV	60.00%
Lexington	A-1B	60.00%
Mercury ABS CDO 2004-1	A1VA	90.00%
Mercury ABS CDO 2004-1	A1NV	90.00%
MKP Cdo III	A1	93.75%
Orchid II	A-1	65.00%
	A-	
Orient Point	1NVB	60.00%
Orient Point	A-1V	60.00%
	A-	
Orient Point	1NVA	60.00%
Reservoir Funding CDO Ltd	A1NV	80.00%
Reservoir Funding CDO Ltd	A1V	80.00%
River North 2005-1	A1	70.00%
Saturn Ventures 2005-1	A-1	80.00%
Sherwood II	A-1	60.00%
	A-	
South Coast VII	1ANV	65.00%
South Coast VII	A-1B	65.00%
	A-	
South Coast VIII	1NV	55.00%
South Coast VIII	A-1V	55.00%
	A-	
Triaxx Prime 2006-2	1B1	92.50%
	A-	
Triaxx Prime 2006-2	1B2	92.50%
West Coast	A-1A	62.50%
West Coast	A-1B	67.50%

There are 4 bonds where they have made no calls and as these trades have thresholds of 4% it implies a price of greater than 96 for these positions currently.

Coolidge	A-1
Fortius	A-1
Glacier 2004-2A	A1NV
Glacier 2004-2A	A1V
Hout Bay	A-1

Royal Bank of Scotland

We have 4 negative basis trades with RBS totalling \$1.35bn. There is no threshold to the CSA and they have made no collateral calls.

Bernoulli	A-1A
Jupiter III	A-1VB
Kleros	A-1
MKP Cdo IV	A1

Socgen

We have 38 negative basis trades on with Socgen totalling 18.64bn across 25 different transactions. They all have an 8% threshold for the CSA. They have made margin calls on 25 positions out of the 38 shown below:

Adirondack	A-1LT	79.84%
Adirondack	<i>commercial paper</i>	72.06%
Adirondack II	A-1LT	82.21%
Adirondack II	<i>commercial paper</i>	76.84%
Alexander Park	A1	77.52%
Altius 1	A-1LT	82.41%
Altius 1	<i>commercial paper</i>	78.59%
BFC Genesec	A-1LA	64.85%
Camber 3	A-1	86.50%
Davis Square IV	A-1LT	82.50%
Davis Square IV	<i>commercial paper</i>	82.50%
Davis Square VI	A-1LT-a	67.50%
Davis Square VI	<i>commercial paper</i>	67.50%
Duke Funding II High Grade I	A1LT	88.00%
Duke Funding High Grade I	<i>commercial paper</i>	88.00%
G Street	A-1LT	79.90%
G Street	<i>commercial paper</i>	72.49%
MKP Cdo IV	A1	68.88%
MKP CDO V	A1	59.37%
Neptune 2004-1	A1LA	75.00%
Sierra Madre	A1A	63.65%
Sierra Madre	<i>commercial paper</i>	86.92%
TABS 2005-4	A	59.36%
Witherspoon 2004-1A	A1	84.54%
Witherspoon 2004-1A	A1	86.00%

There are 13 other positions that they have not made margin calls on hence implying prices in excess of 92%.

Belle Haven 2004-1A	A1ST
Belle Haven 2004-1A	<i>commercial paper</i>
Davis Sq. II	A1D MT

Laguna ABS CDO	A1S <i>commercial</i>
Laguna ABS CDO	<i>paper</i>
Lakeside II	A1
Margate	A1S
Putnam 2002-1	A-1LT-E
Putnam 2002-1	A-1LT-J
Putnam 2002-1	A-1LT-D
Sherwood Funding ABS CDO	A1
South Coast IV	A1
Streeterville ABS CDO Ltd	A1

It should be noted that as with Calyon, Socgen do not calculate prices themselves and simply ask the dealer they bought the bond from for a current estimate of current levels and they then pass this level on to us in the form of the CSA call. Half of the trades they have made calls under are using levels provided by Goldman.

Socgen also appreciate the illiquid nature of the market and the fact that they have no real ability to “gut check” the prices they have received. As with others they have happily entered into a dialogue to try and come to an acceptable solution in the face of no way to get true dealer levels.

UBS

We have 8 negative basis trades on with UBS totalling 6.3bn. There is no threshold for the CSA. They have made calls of 40mm on 3 trades as shown below:

Summit RMBS CDO I, Ltd.	A-1S	99.20%
Vertical	A-1	98.91%
Triaxx Prime 2006-1	A1	99.08%

There are 5 other trades where they have made no calls implying prices of 100.00%. These 5 are:

Ischus HG	A1S
Long Hill	A-S1VF
Long Hill	A-S2T
Margate	A1S
Whately	A1A

Wachovia

We have 6 trades covering 1 transaction with Wachovia for a total of 818mm. There is an 8% threshold on this trade and they have made no collateral call.

Davis Sq. II	A1A MT
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Davis Sq. II	A1B MT
Davis Sq. II	A1C MT
Davis Sq. II	A1A MM
Davis Sq. II	A1B MM
Davis Sq. II	A1C MM

Summary of prices we have received:

I think the table below perhaps best summarises what we have received – basically the prices we have received are all over the place and everyone we talk to has openly admitted that the bonds we are referencing, have not, and do not trade.

For illustration I have copied below the overall summary of the deals that have been referenced in our recent CSA calls. As you can see where we do have more than one level they are never that close. As a few examples, Goldman priced Dunhill at 75 and Merrill priced it at 95: Independence V is subject to collateral calls from both ML and GS but the former calculates a price of 90 and the latter is using 67.5.

Finally it is important to realise that many of the levels we have received are all coming from the same dealers as so few dealers are prepared to venture a guess as to what the levels should be. Many of our prices from the likes of Socgen and Calyon are simply a pass through from the likes of Goldman.

<u>Deal Name</u>	<u>Level used</u> <u>in CSA</u>	<u>Who</u> <u>From?</u>	<u>Level used</u> <u>in CSA</u>	<u>Who</u> <u>From?</u>	<u>Other</u> <u>Prices</u> <u>received?</u> <u>(for 10/31)</u>	<u>Who</u> <u>From?</u>
Adirondack 2005-1	79.84	Socgen				
Adirondack 2005-2	82.21	Socgen				
Alexander Park CDO I	77.52	Socgen				
Altius I Funding	82.5	Socgen				
Altius II Funding	87.5	GS				
Belle Haven ABS CDO	Assumed >92	Socgen				
Bernoulli High Grade CDO I	74.96	ML	Assumed =100	RBS		
BFC Genesee CDO	64.85	Socgen				
BLUEGRASS ABS CDO II	99.35	BMO				
Broderick CDO I LTD	67.5	GS			95	ML
Camber 3	60	GS	86.5	Socgen		
Cascade Funding CDO I	91.16	ML				
Coolidge Funding	Assumed >96	GS				
Davis Square 2003-1	99.55	BMO				
Davis Square Funding II, Ltd	Assumed >92	Socgen	Assumed >92	Wachovia		
DAVIS SQUARE FUNDING III	95	Calyon				
Davis Square Funding IV	82.5	Socgen				
Davis Square Funding V	75	Calyon				
Davis Square Funding VI	67.5	Socgen				
Duke Funding HG 1	88	Socgen				
Duke Funding VI	99.2	BMO				
Duke Funding VII	80	Calyon	70	GS		
Duke Funding VIII CDO	85	ML				
Dunhill ABS CDO	75	GS			95	ML
Fort Sheridan CDO	86.89	ML				

Fortius I Funding	Assumed >96	GS				
G Street Finance	79.9	Socgen				
Glacier Funding CDO II	Assumed >96	GS			95	ML
Glacier Funding CDO III	84.74	ML				
Hout Bay 2006-1	Assumed >96	GS				
Huntington CDO	80	GS			95	ML
Independence V CDO	90	ML	67.5	GS		
Independence VI CDO	79.54	ML				
Ischus CDO II	55	GS	Assumed=100	UBS		
Jupiter High-Grade CDO II	85.67	ML				
Jupiter High-Grade CDO III	75	GS	Assumed =100	RBS	95	ML
Khaleej II CDO	66.8	ML				
Kleros Preferred Funding	86	ML	Assumed =100	RBS		
Kleros Preferred Funding II	82.5	GS			95	ML
Laguna ABS CDO	Assumed >92	Socgen				
Lakeside CDO II	Assumed >92	ML	Assumed >92	Socgen		
Lexington Capital Funding	60	GS			90	ML
Long Hill 2006-1	Assumed=100	UBS				
Margate Funding I	Assumed >92	Socgen	Assumed=100	UBS		
Mercury CDO 2004-1	Assumed >92	ML	90	GS	92	ML
MKP CBO III	93.75	GS				
MKP CBO IV	68.88	Socgen	Assumed =100	RBS		
MKP CBO V	59.37	Socgen				
Monroe Harbor CDO 2005-1	90	Calyon				
Montauk Point CDO	55	ML				
Neptune CDO 2004-1	90	ML	75	socgen		
Neptune CDO II	80	ML				
Orchid Structured Finance CDO II	65	GS				
Orient Point CDO	60	GS			95	ML
PALISADES CDO	Assumed >90	DB				
PUTNAM 2002-1 A-1LT	93.35	BMO	Assumed >92	Socgen		
Reservoir Funding	80	GS			95	ML
River North CDO	70	GS				
Saturn Ventures 2005-1	80	GS				
Sherwood Funding CDO	Assumed >92	Socgen				
Sherwood Funding CDO II LTD	60	GS				
SIERRA MADRE FUNDING	86.92	Socgen				
South Coast Funding IV	Assumed >92	ML	Assumed >92	Socgen		
South Coast Funding V	Assumed >92	ML				
South Coast Funding VII	65	GS			90	ML
South Coast Funding VIII	55	GS			80	ML
Straits Global ABS CDO I	89.67	ML				
Streeterville ABS CDO	89.97	ML	Assumed >92	Socgen		
Summit RMBS CDO I	99.2	UBS				
TABS 2005-4	59.36	Socgen				
Toro ABS CDO I	89.98	ML				
Vertical ABS CDO 2005-1	98.91	UBS				
WHATELY CDO I	Assumed=100	UBS				
Witherspoon CDO Funding	86	Socgen				
WESTCOAST 2006-1X A1V	65	GS				
Triax 2006-2	92.5	GS				
Triaxx Prime CDO 2006-1	99.08	UBS				