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Goldman Sachs Collateral Disagreement Observations and Conclusions

by Pierre Micottis
as of December 20, 2007

The purpose of this document is to provide a list of observations regarding the disagreement we have had with Goldman Sachs concerning the calculation of the collateral exposure of the multi-sector CDO super senior transactions that we have closed with them, and the conclusions that we have drawn with respect to how the collateral exposure and the valuations should be calculated for our portfolio.

Definitions

First, we will define a series of terms used in this document.

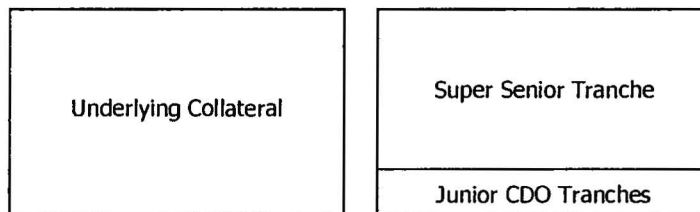
2a-7 Put	A Deal which was transacted in the form of a 2a-7 liquidity put option.
ABS	Stands for asset backed security.
Deal	A transaction which is part of the collateral disagreement between AIG-FP and Goldman Sachs, or a similar transaction closed with another dealer. For each Deal, the Underlying Securities are predominantly ABS and the Underlying Collateral is exposed to US RMBS. The list of Deals as of November 29, 2007 is provided in Appendix 1 and 2 and are based on 107 different CDOs.
CDO	Stands for Collateralized Debt Obligation. The asset side of a CDO is a portfolio of securities and the liability side a series of issued securities which payments are driven by the cash flows and, when applicable, losses of principal and interest due to defaults on the portfolio of securities.
CDO Description Data	A data download from the STAR database ¹ . As of the date of writing, the source of some of the data is Bloomberg but those pieces of information will be added to the STAR database in the near future.
CDO Manager	The entity which is responsible for the management of the asset and liability side of the CDO and the monitoring of the various investment guidelines and triggers that the CDO is subject to.
CDO Tranches	The series of securities issued by the CDO which size and rating were determined at the onset based on the rating agencies' models and assumptions with respect to the Underlying Collateral cash flows and losses of principal and interest due to defaults. Not all CDO Tranches have been rated. In general, the liability side of the CDO will be composed of an equity tranche, BBB, A, AA and AAA-rated tranches and a tranche senior to all other CDO Tranches, including the tranche rated AAA.

¹ See the documentation called "CDO Surveillance Audit" dated December 18, 2007.

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CDO Trustee	The entity which is responsible for generating periodic reports about the CDO, including the calculations which show whether the investment guidelines are satisfied and the triggers are hit.
CDS	Stands for credit default swap.
Failure to Pay	A credit event whereby the Reference Obligation fails to make a contractually obligated payment, including an interest payment, to the holder of the Reference Obligation.
Junior CDO Tranches	All the CDO Tranches excluding the Super Senior Tranche.
Negative Basis Trade	A Negative Basis Trade is a credit derivative transaction in which the owner of a bond purchases credit protection in the form of a CDS. If the CDS spread is less than the bond credit spread, the basis is said to be negative and the bond owner will receive a net positive spread without taking the bond default risk.
Pricing Report	A periodic report prepared by the CDO Manager which provides market values collected from dealers for the Underlying Securities, when possible.
Reference Obligation	Each Deal was documented as a CDS, 2a-7 Put or TRS which underlying Reference Obligation is the Super Senior Tranche of a CDO.
Super Senior Tranche	The most senior tranche of the capital structure. It is called the Super Senior Tranche although it is not rated as such by the rating agencies (the highest rating possible is AAA for S&P and Fitch, and Aaa for Moody's). Because the rating of the Super Senior Tranche cannot be higher than AAA/Aaa, it will rank senior to other CDO Tranches which were also be rated AAA/Aaa at inception. For certain CDOs, the Super Senior Tranche will correspond to a unique class of notes (see the "Independence V CDO" Deal) but there are cases where the Super Senior Tranche will be split into more than one class of notes (see the "Orient Point CDO" Deal).
TRS	A Deal which was transacted in the form of a total return swap.
Trustee Report	The periodic report prepared by the CDO Trustee.
Underlying Collateral	The portfolio of securities that the CDO is invested in.
Underlying Securities	The individual securities which comprise the Underlying Collateral.

Here is a graphical representation of the CDO using the terms defined above:



The "Independence V CDO" (position ID 539161) and "Orient Point CDO" (position ID 702234) Deals, which were chosen at random, are used as an illustrative example.

Observations

Goldman Sachs' approach consists in calculating, for a given CDO, the value of the Underlying Collateral as well as the Junior CDO Tranches rated up to AAA, and by difference infer the value of the Super Senior Tranche.

During the conference call which took place on Thursday November 15, 2007, Goldman Sachs provided, for each transaction, the following values:

NAV	The Underlying Collateral value, expressed as a percentage of the CDO notional.
Super Senior Size	The Super Senior Tranche size, expressed as a percentage of the CDO notional.
Leakage	The Junior CDO Tranches value, expressed as a percentage of the Super Senior Tranche notional.
Super Senior Value	The Super Senior Tranche value, expressed as a percentage of the Super Senior Tranche notional.

Those values are linked by the following relationship:

$$\text{Super Senior Value} = \text{Min} (100\%; \text{NAV} / \text{Super Senior Size} - \text{Leakage}) \quad (1)$$

Goldman Sachs' numbers are provided in Appendix 3.

Although remarkable for its apparent simplicity and objectivity, Goldman Sachs' approach has some shortcomings. One of the main problems is that the relationship that Goldman Sachs used, which is that the value of the Underlying Collateral is equal to the value of all the CDO Tranches (including the Super Senior Tranche) has no reason to hold in the current market conditions. This equality can only hold if all Underlying Securities and CDO Tranches can be traded simultaneously and if the pricing of those securities is transparent. Clearly, those assumptions are violated right now.

Most of the Underlying Securities do not trade at the moment and the prices, when available, are very different across dealers.

This has been confirmed in discussions with other dealers and incidentally, the only trades happening outside the ABX indices are forced liquidations so there is no evidence of a functioning market in these securities. Also, Goldman Sachs uses various buckets to cover the different types of securities and vintages for their valuations and, for each bucket, comes up with an average price which does not take into account certain important differences between the Underlying Securities which fall in the same bucket. While this is an acceptable approach when there is no alternative, it is important to try to find Underlying Security-specific prices when possible, to increase the precision of the calculations.

In order to illustrate the range of prices that are available in the current market, we collected Pricing Reports for value **at the end of September** for 18 different Deals (not all of them are Deals that we closed with Goldman Sachs) and 9 different CDO Managers. We extracted a total of 3,310 Underlying Security prices from those reports (we had been given more than this but the report dates were different; some were for June 30, 2007, some for August 31, 2007 and some for early September). To be able to make meaningful comparisons, we selected the 3,310 prices that corresponded to value dates between September 28 and October 5. A snapshot of the price sample is provided in Appendix 4.

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Out of those 3,310 prices, a total of 536 were duplicated. Out of those 536, 345 were duplications coming from the same CDO Manager (in which case the prices were identical), leaving us with 191 coming from different CDO Managers. Those 191 can be broken down into 91 double entries and 3 triple entries (91 x 2 + 3 x 3 = 191).

The 91 double entries had different prices in 78 cases and the 3 triple entries all had at least one different price, leaving us with 81 price discrepancies, which is a significant percentage of the 91 prices. Here is a representation of the distribution of those 81 price discrepancies, where "Start" and "End" are expressed as a percentage of the notional:

Range		# Price Discrepancies
Start	End	
0.0	0.5	12
0.5	1.0	7
1.0	2.5	5
2.5	5.0	14
5.0	10.0	18
10.0	15.0	7
15.0	20.0	3
20.0	30.0	11
30.0	40.0	1
40.0		3
Total		81

So for example, the difference between the lowest and the highest price for the Underlying Security is between 5% and 10% of the notional for 18 out of the 81 price discrepancies.

The list of the 81 price discrepancies is available in Appendix 5. Note that this list of price discrepancies is reasonably evenly distributed among 7 out of the 9 CDO Managers:

CDO Manager	# Prices
Aladdin Capital Management LLC	31
AXA Investment Managers	7
Babson	16
Declaration Management & Research LLC	43
Deutsche Bank	21
Strategos (unit of Cohen and Company)	20
Trust Company of the West ("TCW")	24
	162

so this proves that the discrepancies are not due to one CDO Manager showing outlier prices compared to everyone else.

As an aside, the end of October (the CDO Manager did not provide a Pricing Report for the end of September) Pricing Report sent by the CDO Manager of the "MKP CBO III" Deal is interesting because it provides a range of prices collected by the CDO Manager. A copy of the report is given in Appendix 6. The report is another illustration of how dislocated the ABS market is currently and how different prices can be across dealers.

For almost all Underlying Securities, the bid-offers are extremely wide which makes the pricing of those securities something that is clearly not a science, nor an art.

Some normality needs to return to the credit markets before we can realistically price anything remotely exotic with some degree of confidence. And "err-ing on the side of

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conservatism" does not mean much in the current markets as one would be guaranteed to end up with non-sensible prices, which will not be representative of fair value.

It is common knowledge that the current market is one sided with forced sellers on the offer side and predatory bottom fishers on the bid side. This, combined with much lower trading volumes, leads to wide bid-offers in the Underlying Securities' prices.

Although Goldman Sachs argues that it values the Underlying Collateral at mid market, it then considers that the resulting value of the Super Senior Tranche is a ceiling, so an offered price rather than a mid-market price, and considers that the bid price is 10% lower for all the transactions.

This additional layer of bid-offer is not justifiable because the sum of the values of the CDO Tranches, including the Super Senior Tranche, should remain equal to the value of the Underlying Collateral if Goldman Sachs stays true to its assumptions. Said differently, Goldman Sachs was pretty vocal about the fact that equation (1) should hold, but adding this additional layer of bid-offer breaks the relationship and lowers the value of the Super Senior Tranche further with no real justification.

NB: Goldman Sachs used a bid-offer of 15% for 2 Deals (the 2 "Triaxx 2006-2" Deals) and 7.5% for 1 Deal ("MKP CBO III") in their end of October valuations.

Some dealers provided mid-market price estimates for a selection of Super Senior Tranches which were higher than Goldman Sachs'.

This again illustrates the lack of transparency and liquidity of the current market and the difficulty in coming up with a fair value estimate from market prices.

It is clear that the collateral arrangement between AIG-FP and Goldman Sachs is based on a simple function of the "market value" of the Reference Obligation. Our transaction however is a CDS, i.e. a synthetic exposure to the Reference Obligation, not a cash exposure.

The legal confirmation of the "Independence V CDO" transaction defines the collateral Exposure as:

6. Collateral Terms:

For the purposes of calculating the Credit Support Amount under the Credit Support Annex only, Exposure of Buyer to Seller with respect to this Transaction shall mean the greater of zero and (i) the Market Related Amount less (ii) the Transaction Threshold set out below (based on the Market Value of the Reference Obligation expressed as a percentage of the Notional Amount); provided that the Transaction Threshold shall be deemed to be zero from the date on which the Seller is downgraded below A1 by Moody's Investors Service, Inc. or below A+ by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.; where:

"Market Related Amount" means: The Notional Amount minus the Market Value of the Reference Obligation with a principal amount equal to the Notional Amount.

"Market Value of the Reference Obligation" equals the market value of the Reference Obligation as determined by the Calculation Agent as of the date of such calculation; provided that if the parties acting as joint Calculation Agent cannot agree on the market value, market value will be determined based on the average of mid-market quotations from five dealers chosen by the Calculation Agent disregarding the highest and lowest quotations.

For the avoidance of doubt, the definition of Exposure herein shall in no way prejudice or otherwise affect the amount which may be calculated under Section 6(e) of the Swap Agreement with respect to this Transaction following an Event of Default or Termination Event.

Market Value of
Reference Obligation ("MVRO") Threshold

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MVRO >=94%	5% of Notional Amount
94% >= MVRO >= 93%	4% of Notional Amount
93% >= MVRO >= 92%	3% of Notional Amount
92% >= MVRO >= 91%	2% of Notional Amount
91% >= MVRO >= 90%	1% of Notional Amount
MVRO < 90%	0%

It is worth mentioning that the collateral Exposure Threshold of **all** the other Goldman Sachs Deals is only a function of the AIG-FP credit rating, not the market value of the Reference Obligation. Here is the "Collateral Terms" definition that is used in most Deals:

6. Collateral Terms:

Notwithstanding anything to the contrary in the Credit Support Annex, the definition of "Exposure" for purposes of the Credit Support Annex solely in respect of this Transaction shall be determined in accordance with the following formula:

$$\text{Exposure} = \text{OPB} * \text{Max} [0, [100\% - \text{MV}] - \text{T}]$$

Where:

OPB = the outstanding principal balance of the Reference Obligation on the relevant Valuation Date (as defined in the Credit Support Annex).

MV = the market value of the Reference Obligation on the relevant Valuation Date (expressed as a percentage of par) as determined by the Calculation Agent; provided that if the parties acting as joint Calculation Agent cannot agree on the market value, market value will be determined based on the average of mid-market quotations from five dealers chosen by the Calculation Agent disregarding the highest and lowest quotations.

T = the "Threshold Amount Percentage", as set forth in the table below based on the Seller Rating of the relevant Valuation Date.

Based on the current credit rating of AIG-FP, T is equal to 4% for all Goldman Sachs Deals except for 4 of them ("Mercury CDO 2004-1", "Reservoir Funding", "MKP CBO III" and "Duke Funding VII") for which T is equal to 0%.

If MVRO is observable, the size of the collateral Exposure is a straightforward and unambiguous calculation. The collateral Exposure formula however is entirely based on the value of a security while the transaction is unambiguously a CDS which settlement method is physical delivery and for which only Reference Obligations are deliverable, so it provides a synthetic credit exposure to the Reference Obligation.

Even though the value of a CDS is correlated to the cash value of the Reference Obligation, the CDS and bond markets have a life of their own, in particular in periods of stress and liquidity crisis. This important point is discussed in more detail further on in this document.

Our independent review of the "Independence V CDO" Deal highlighted visible differences between Goldman Sachs' and third party prices for the calculation of NAV, and that Goldman Sachs' Leakage is high.

We have two outstanding Deals on this CDO, one with Goldman Sachs (position ID 539161) and another with Merrill Lynch (position ID 539162). The original Notional Amounts were \$200m and \$121m respectively, and the Original Issue Amount of the Reference Obligation was \$396m. Consequently, the Goldman Sachs Deal represents:

$$\$200\text{m} / \$396\text{m} = 50.51\%$$

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of the Super Senior Tranche of the CDO. The Reference Obligations are the class A-1 notes.

Here is an extract of the Goldman Sachs data available in Appendix 3 for this transaction:

NAV	47.8%
Super Senior Size	53.8%
Leakage	15.1%
Super Senior Value	73.9%
Actual Notional	142,553,117

According to the summary page of the Trustee Report² dated October 10, 2007:

Notes Statistics		
	Outstanding Balances	Interest Rate
Class A-1 Notes	\$235,336,726.49	6.098130%
Class A-2A Notes	\$84,000,000.00	6.321880%
Class A-2B Notes	\$15,000,000.00	6.548130%
Class B Notes	\$56,400,000.00	6.848130%
Class C Notes	\$22,298,278.04	8.798130%
Preference Shares	\$24,600,000.00	----

the aggregate unpaid principal amount of the Reference Obligation outstanding as of that date was \$235,336,726.49. Also, the sum of the outstanding balances is \$437,635,004.53.

On page 28, we can see the amortization profile of the class A-1 notes:

Principal Decrease(s):		
09/07/2004	\$4 385 055 20	
12/06/2004	\$3 173 485 26	
03/07/2005	\$9 860 064 40	
06/06/2005	\$2 961 096 56	
09/06/2005	\$6 842 674 62	
12/06/2005	\$8 864 805 42	
03/06/2006	\$1 997 105 65	
06/06/2006	\$8 873 586 07	
09/06/2006	\$941 509 83	
12/06/2006	\$19 420 499 69	
03/06/2007	\$17 723 440 38	
06/06/2007	\$28 701 504 73	
09/06/2007	\$46 918 445 70	
Subtotal	\$160 663 273 51	
Current Balance		\$235 336 726 49

In order to reconcile Goldman Sachs' Actual Notional, one has to back out the last principal repayment:

$$200 / 396 \times (235,336,726.49 + 46,918,445.70) = 142,553,117$$

² See the file called "Independence_V_CDO_Limited_rpt_10_oct_2007_Monthly_Report.pdf".

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This number, however, is not correct because it does not reflect the principal repayment which took place on September 6, 2007. So the correct exposure is:


$$200 / 396 \times 235,336,726.49 = 118,856,933$$

The Super Senior Size is equal to:

$$235,336,726.49 / 437,635,004.53 = 53.8\%$$

which matches the number used by Goldman Sachs.

To calculate the NAV, we need to use the Pricing Report³ dated October 31, 2007. This report gives the market value of the Underlying Collateral as of the end of October:



Declaration

Market Value	Servicer	% NOPCB
260,238,392		100.00%

From this, we can derive NAV:

$$260,238,392 / 437,635,004.53 = 59.46\%$$

This number is 11.7% higher than Goldman Sach's NAV.

While doing this exercise, we noticed that the CDO Manager did a calculation which looked like a NAV but was different from our 59.46%:

WAL	Curr Price	CType	Margin
3.33	56.7366		2.141

We spoke to the CDO Manager in order to resolve this discrepancy and the answer was that the 56.7366% average price does not include the cash and derivative positions, and is the ratio of the market values based on clean prices and the collateral face value for all securities, including the ones that have defaulted. The CDO Manager also confirmed that our calculation is correct (except that it does not account for the accrued interest on the liabilities, which as of October 31, 2007 was around \$3.5m, but we will ignore this component as it is impossible to be that precise on all deals) if one is "looking for a notion of liquidity value".

We are now left with the most difficult piece, which is to calculate either the Leakage or the Super Senior Value since one is a function of the other. For this, we need to use the BET model. We used the Underlying Securities prices provided in the Pricing Report and converted those prices into credit spreads using each Underlying Security's attributes, i.e. weighted average lives downloaded from Bloomberg and Moody's standard recovery

³ See the file called "IN5_2007-10-31(1).xls".

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rates. We ran the BET model using those credit spreads and a diversity score of 15.9, which is available in the Trustee Report:

Tests and Statistics				
	Initial	Prior	Current	Trigger
Class A/B Overcollateralization Test	108.890%	109.582%	109.177%	103.81%
Class C Overcollateralization Test	103.987%	104.213%	103.283%	101.91%
Class A/B Interest Coverage Test	162.96%	128.99%	122.35%	115.0%
Class C Interest Coverage Test	145.95%	120.29%	113.44%	110.0%
Diversity Test	17.2	15.7	15.9	16
Moody's Maximum Rating Distribution Test	368	479	475	400

and got an expected loss on the Super Senior Tranche of \$20,862,822. What this number represents is described in Appendix 7 but is based on DESA = 0⁴. This Appendix also explains how this number should be used to calculate the Super Senior Value and the Leakage. In our example, the Leakage is equal to:

$$(260,238,392 - (235,336,726.49 - 20,862,822)) / 235,336,726.49 = 19.4\%$$

This number is higher than Goldman Sachs' Leakage of 15.1% but the NAV that we are using is 11.7% higher.

In order to do a proper comparison, we decreased the prices of all the Underlying Securities uniformly by 11.7% such that the NAV was equal to Goldman Sachs' 47.8%, then derived the credit spreads and ran the BET model again. We got an expected loss on the Super Senior Tranche of \$51,656,523⁴, which corresponds to a Leakage of:

$$(47.8\% \times 437,635,004.53 - (235,336,726.49 + 51,656,523)) / 235,336,726.49 = 10.8\%$$

This number is lower than Goldman Sachs' Leakage. It is hard draw a conclusion on a single example, especially given the number of reports and inputs that we need to use to perform those calculations. Note that the Goldman Sachs people told us repeatedly during the conference call which took place on Thursday November 15, 2007 that their values were not model prices but market prices, which to be clear means that those prices are based on what they have seen happen in the markets, not prices for these exact Junior CDO Tranches.

Our independent review of the "Orient Point CDO" Deal also highlighted visible differences between Goldman Sachs' and third party prices for the calculation of NAV. The BET model implied Leakage, however, is close to Goldman Sachs'.

We have one outstanding Deal on this CDO with Goldman Sachs (position ID 702234). The original Notional Amount was \$1,297,500,000 for all class A-1 notes, which is the Original Issue Amount of the Reference Obligation. Consequently, the Goldman Sachs Deal represents 100% of the Super Senior Tranche of the CDO. The Reference Obligations are the 3 class A-1 notes.

Here is an extract of the Goldman Sachs data available in Appendix 3 for this transaction:

NAV	61.2%
Super Senior Size	86.2%
Leakage	5.0%
Super Senior Value	66.0%
Actual Notional	1,297,000,000

⁴ The reason for this is that for this analysis, we used a standalone model implemented by the Market Risk Management group and this model quantifies DEL but not DESA. This implies that the Leakage will be overstated.

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According to the summary page of the Trustee Report⁵ dated November 7, 2007:

Note	Original Coupon	Original Balance	Current Balance
A-1V	4.59530%	250,000.00	250,000.00
A-1NVA	4.59530%	647,250,000.00	647,250,000.00
A-1NVB	4.59530%	650,000,000.00	650,000,000.00
A-2	4.77530%	99,250,000.00	99,250,000.00
B	4.92530%	47,000,000.00	47,000,000.00
C	5.67530%	12,000,000.00	12,000,000.00
D	5.97530%	19,000,000.00	19,000,000.00
E	7.02530%	14,500,000.00	14,500,000.00
Pref. Shares A	N/A	4,500,000.00	4,500,000.00
Pref. Shares B	N/A	12,000,000.00	12,000,000.00
Totals:		1,505,750,000.00	1,505,750,000.00

the aggregate unpaid principal amount of the Reference Obligations outstanding as of that date was \$1,297,500,000, which only differs from Goldman Sachs' Actual Notional by \$500,000 and the sum of the outstanding balances is \$1,505,750,000.

The Super Senior Size is equal to:

$$1,297,500,000 / 1,505,750,000 = 86.2\%$$

which matches the number used by Goldman Sachs.

To calculate the NAV, we need to use the Pricing Report⁶ dated October 31, 2007. This report does not give the market value of the Underlying Collateral as of the end of October unfortunately, but it lists the Underlying Securities, the par amount owned by the CDO and a price. Note that the CDO Manager was not able to find prices for all Underlying Securities:

Par Amount (Deal Currency)	Price
15,000,000.00	89.47421
5,000,000.00	84.70007
15,000,000.00	no price
9,000,000.00	92.85621
3,000,000.00	81.84622

In order to estimate the NAV, we needed to come up with prices for all the Underlying Securities which were not priced by the CDO Manager:

- 3 of those Underlying Securities (of CUSIP 12668AN76, 12669GZW4 and 12669GZX2), for a total par amount of \$15,744,351, are Prime RMBS of 2005 vintage so we used the average of the prices that we collected up to November 30, 2007 for

⁵ See the file called "ORPT0501_20071031_R_1.pdf".

⁶ See the file called "OP1_MP1_AIG_10312007.xls".

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all Underlying Securities which were also Prime RMBS of 2005 vintage. This average price was equal to 83.2882% and was based on 643 different prices. The overall market value for those Underlying Securities is \$13,113,186.

- All the other Underlying Securities, for a total par amount of \$437,347,199 were CDOs which we valued using a conservative price of 20% after discussions with the credit traders. The overall market value for those Underlying Securities is \$87,469,440.

The market value of the rest of the Underlying Securities was \$893,835,322 and after adding up the market values of those 3 groups, we get a market value of \$994,417,948 for the Underlying Collateral, which corresponds to a NAV of:

$$994,417,948 / 1,505,750,000 = 66.04\%$$

This number is 6.8% higher than Goldman Sach's NAV.

We converted the Underlying Securities prices into credit spreads using each Underlying Security's attributes, i.e. weighted average lives downloaded from Bloomberg and Moody's standard recovery rates. We ran the BET model using those credit spreads and a diversity score of 20.0 and got an expected loss on the Super Senior Tranche of \$378,683,000^d, calculated in accordance with Appendix 7. This implies a Leakage of:

$$(994,417,948 - (1,297,500,000 - 378,683,000)) / 1,297,500,000 = 5.8\%$$

We also calculated the Leakage after decreasing the prices of all the Underlying Securities uniformly by 6.8% such that the NAV was equal to Goldman Sachs' 61.8%, and got 5.6%.

The Leakage implied by the BET model valuations is quite close to Goldman Sachs'. This puts additional question marks above the fact that Goldman Sachs claimed that their Leakage estimates were based on market prices, not model prices.

Goldman Sachs' estimate of the value of the Junior CDO Tranches (the "Leakage") when the value of the Underlying Collateral is low, is questionable anyway.

A crucial issue to bear in mind is that the CDO Tranches are, ultimately, only exposed to principal and interest losses due to defaults suffered by the Underlying Collateral. Goldman Sach's prices for the Underlying Securities are much more representative of the extreme lack of liquidity and fear of the unknown than the market's loss expectations. In all our Deals, losses due to defaults will hit the Junior CDO Tranches first. Ascribing any value to the Junior CDO Tranches reflects the fact that forced sellers will never sell such securities for 0, but making the assumption that the trading prices represent the fair value of the Junior CDO Tranches artificially reduces the value of the Super Senior Tranche.

Although we cannot deny that the value of some of the Junior CDO Tranches will not be 0, our belief is that Goldman Sachs' approach is only valid from a theoretical standpoint, not from a fair value standpoint in the current dislocated markets and it gives a false sense of truth. If a CDO were to be liquidated and forced to sell its Underlying Collateral, we would be in an Event of Default situation and in such a case, the proceeds of the liquidation would have to be used to amortize the Super Senior Tranche first.

Those are the reasons why we believe that in the current market, no value should be ascribed to the Leakage in order to derive a value of Super Senior Tranche for the purpose of calculating the market value of the Reference Obligation, which is then used to calculate the collateral Exposure.

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Given the significant differences in NAV that we observed on the "Independence V CDO" and "Orient Point CDO" Deals, we felt that it was important to come up with an independent calculation of the NAV.

After considering various paths, we decided to contact all the CDO Managers and collect as many Pricing Reports as possible. We were originally unsure about how successful we would be but this path turned out to be a great source of independent pricing information about the Underlying Securities. Snapshots of the price samples that we were able to collect for the end of October and September 2007 are provided in Appendix 4.

For the end of October 2007, we have Pricing Reports regarding 67 Deals coming from 35 different CDO Managers. The 67 Pricing Reports contained 12,438 prices overall (12,243 of those were quoted as prices and 195 of those were quoted as credit spreads). After removing duplicates, the net number of different Underlying Securities for which we had prices is 9,003 (out of which 58 were credit spreads translated into prices). For Underlying Securities that had multiple prices provided by different CDO Managers, the final price used in each occurrence was the average of the observed prices.

For the end of September 2007, we have Pricing Reports regarding 18 Deals coming from 9 different CDO Managers. The 18 Pricing Reports contained 3,310 prices overall. After removing duplicates, the net number of different Underlying Securities for which we had prices is 2,774. Once again, for the Underlying Securities that had multiple prices provided by different CDO Managers, the final price used in each occurrence was the average of the observed prices. More information and statistics about the prices collected for the end of September 2007 is available at the beginning of the "Observations" paragraph of this document.

The 107 CDOs are based on a total of 18,598 Underlying Securities in their Underlying Collateral according to our internal CDO Description Data dated November 30, 2007. The previous collation of this data, dated October 31, 2007, corresponded to 18,457 Underlying Securities. Appendix 8 shows the breakdown of this number by deal and date. Importantly, some Underlying Securities are referenced in more than one CDO, removing duplicates brings the number of different securities down to 11,951 (respectively 11,858 when using the October 31, 2007 CDO Description Data).

For the end of October 2007, we had access to 8,152⁷ of the required 11,951 (i.e. 68%) from the prices gathered from the Pricing Reports. For the remaining 3,799 required prices (i.e. 32%), we used average prices derived from a price matrix, as described below. For the end of September 2007, the data supplied by the CDO Managers was far less complete, with just 2,774 prices out of the required 11,858.

Since the CDO Managers did not supply a price for all Underlying Securities, we built a matrix of average prices based on the prices that we did collect. This matrix contains, for any given (sub-industry, vintage, rating) triplet, the average of the prices collected from all CDO Managers for the Underlying Securities which belong to this triplet. For example, the average of CDO Manager prices of Underlying Securities of type (Prime, 2005, Aa) was 88.97, as of the end of October 2007. In turn, when the price of an Underlying Security of such type is needed for the end of October 2007 and is not directly observable in the Pricing Reports, it would be assigned a value of 88.97 from that price matrix. See Appendix 9 for a snapshot of the end of October 2007 price matrix corresponding to the 2005 vintage.

⁷ This number is different to the 9,003 mentioned earlier, due to synchronisation differences between the composition of the Underlying Collateral as supplied by the CDO Managers and those available in our CDO Description Data.

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Using the end of October Pricing Reports which were collected from the CDO Managers, we calculated the NAV for all the Goldman Sachs Deals independently and derived a Super Senior Value assuming that the Leakage was 0.

The previous paragraph gave some statistics about our price data gathering exercise. We used the end of October price data to calculate the NAV for all the Goldman Sachs Deals. In Appendix 10, we provide those NAVs as well as the corresponding Super Senior Values assuming that Leakage = 0 and the subsequent collateral call calculations. The NAV calculations for the "Independence V CDO" and "Orient Point CDO" Deals are provided in this document. For the "Saturn Ventures 2005-1" Deal, the NAV was provided by the CDO Manager:

From: Budnick, Adam
Sent: Thursday, November 29, 2007 5:38 PM
To: Frost, Alan; Forster, Andrew; Kissina, Irina; Bald, Sinead
Cc: Athan, Tom
Subject: Saturn Ventures agg mark

The best I could get out of MWAM due to their policy is an unofficial, off the record aggregate current liquidation value for the portfolio. That number is \$230mm. The total face of the portfolio is currently (according to MWAM) \$309mm, so that work out to an average price of 74.4%.

The calculations for the other 19 CDOs as well as the "Orient Point CDO" Deal are available in a spreadsheet⁸ prepared by the Market Risk Management group. Please note that most of those NAV calculations are equal to the market value of the Underlying Collateral divided by the face value of the Underlying Collateral. As we went through this process and gathered more information, we concluded that the divisor should be the sum of the outstanding balances of the CDO, and that is what we used for certain Deals, in particular for "Independence V CDO" and "Orient Point CDO". The difference in divisor does not, in general, have a material impact but we retained the original calculations mainly because they were used in various other derived calculations (e.g. Super Senior Value, collateral call).

Those NAVs were used to come up with the "Specified CDS Exposure" of \$428,598,350 which appears in the notice called "ISDA Master Agreement, dated as of 19 August 2003 (the "Master Agreement"), between AIG Financial Products Corp. ("AIG-FP") and Goldman Sachs International ("GSI"), including the Credit Support Annex thereto, dated as of 19 August 2003" which was sent to Goldman Sachs on November 30, 2007.

There are contractual differences between the Reference Obligation and the CDS transaction.

In the "Independence V CDO" Deal, it is noticeable that the CDS contractual Fixed Rate is 11bp while the Reference Obligation spread is 40bp (see the "Reference Obligation" definition). It is also noticeable that the CDS Seller (AIG-FP) has the right to terminate the CDS at no cost on or after the occurrence of an "Adverse RO Event" (see the "Optional Termination Date" and "Adverse RO Event" definitions); such right is obviously not a feature of the Reference Obligation.

Goldman Sachs would have to deliver the Reference Obligation to us to benefit from the CDS protection.

In the "Independence V CDO" Deal, the "Settlement Terms" definitions are clear that the settlement method is physical delivery and that only Reference Obligations are deliverable following a Failure to Pay (see the "Credit Events" definition). This means that

⁸ See the file called "GS_MRM_NAV_Calculations.xls". Note that there is a very minor discrepancy for the "Orient Point CDO" Deal between the MRM group calculation (66.07%) and the detailed calculation done in this document (66.04%). The difference comes from the divisor, but the impact is not material. Since we used 66.07% to compute the collateral call number which was used in the notice dated November 30, 2007, we kept both numbers in this document for completeness. For the avoidance of doubt, the correct number is 66.04%.

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Goldman Sachs is going to hold the Reference Obligations otherwise the CDS transaction will not provide any protection. Given that Goldman Sachs owns in each Deal a very large percentage of the outstanding amount of the Reference Obligations, there is basically no chance that a liquid market will develop in those securities. Appendix 11 provides, for all the Goldman Sachs Deals, the size of the transaction compared to the outstanding notional of the Reference Obligation.

There are many reasons why there is a difference between the bond and CDS markets.

The main drivers of the differential between bond and CDS are (1) the cost of funding, (2) the CDS counterparty's own credit risk, (3) the risk appetite and balance sheet implications for the bond and (4) any contractual rights that differ between the bond and the CDS. Points (1) and (2) are reasonably easy to identify. Point (3) can be quite difficult to estimate for ABS but the asset class to which the bond belongs will be a factor when deciding to enter into a negative basis transaction. Point (4) can be significant depending on what those contractual rights are but this component of the value of the CDS is very deal and circumstance specific.

In the current market environment, there is a large premium to holding cash versus holding securities so the impact of the cost of funding on the differential between bond and CDS is significant. In order to better assess how big this differential could be, we called a range of market counterparties and their answers can be put into two groups, depending on whether we spoke to a trader or a marketer or structurer. Here is a sample of comments from discussions we had with traders:

- Barclays; We asked at what level they would enter into an ABS negative basis trade with AIG-FP and their response was that they would charge about 80bp to finance the bonds. This means that the CDS spread embedded in the negative basis package would be 80bp tighter than the underlying ABS credit spread.
- Citibank; Indicatively, if they were to bid 80% to buy a bond, they would consider selling credit protection for 15% up-front because the bond purchase needs to be funded. Citibank said that when bonds are trading at distressed levels this relationship could be reversed because one would have to raise much more cash to enter into the CDS than to buy the bond. For example, if a bond trades at 10% of the notional, one (obviously) needs to fund 10% of the notional to take the credit risk on the bond. Ignoring any bond vs CDS basis, the corresponding CDS would trade at 90% up-front so entering into the CDS would have a funding requirement 9 times larger than buying the bond.
- Deutsche Bank; They were very clear that bonds traded 5 to 10% lower than CDSs. They also said that bid/offers on CDSs are wider than in bonds and also that funding for CDOs for 6 months would be L+100bp or more.
- JP Morgan Chase; Bonds are being marked lower than CDS because at the moment, it is very hard to monetise a long credit protection position as people are reluctant to add risk to their portfolios. This effect has resulted in 10 to 20% up-front differences.
- Royal Bank of Canada; They said that observing the difference between bonds and CDSs was hard but they would only be interested in buying bonds if they can buy credit protection at least 10% up-front better. The main drivers of this difference are the cost of funding and the illiquidity premium associated with any structured asset at the moment.
- Separately from those conversations, we have seen offers at up to 100bp from other dealers for good collateral and even higher for a term negative basis funding on lower quality collateral.
- In the repo market, we have been offered 100bp to fund CDO collateral for just two weeks.

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- This is a corporate name example, but it is nonetheless interesting to mention that Citibank made the observation that currently, Rescap CDSs trade 3 to 5% up-front inside bonds.

Here are a few more reference points coming from discussions with marketers or structurers:

- Credit Suisse; They are looking to charge 90 to 120bp for balance sheet usage. Providing funding with credit protection up to 2 years would probably be 120bp. The price is driven not by risk but by capacity.
- Bank of America; The difference between bonds and CDS is normally the cost of funding.

And finally more reference points coming from a series of discussions we had with a JP Morgan senior research analyst. The starting point of those discussions was a series of data points that are available in the weekly generic spreads spreadsheet⁹. For instance, let's take a look at columns S to AA of the "ABX.HE 2006-1" sheet:

A	B	S	T	U	V	W	X	Y	Z	AA
*JP Morgan makes no representation that ABX spreads indicated above are accurate. Accounts should draw their own conclusions based on views										
HE Spreads' and Closing										
		A-			BBB			BBB-		
Date	Series	ABX:CDS	ABX:Cash	CDS:Cash	ABX:CDS	ABX:Cash	CDS:Cash	ABX:CDS	ABX:Cash	CDS:Cash
12/6/07	2006-1	968	718	-250	3700	3400	-300	5025	4925	-100
11/29/07	2006-1	1669	1319	-350	4805	4405	-400	5702	5402	-300
11/22/07	2006-1	2238	1913	-325	6195	5845	-350	7193	6993	-200
11/15/07	2006-1	1602	1402	-200	4244	3994	-250	5793	5593	-200
11/8/07	2006-1	1777	1477	-300	4083	3983	-100	5223	5173	-50
11/1/07	2006-1	1696	1521	-175	3670	3585	-85	5163	5088	-75
10/25/07	2006-1	970	755	-215	3250	3125	-125	4761	4646	-115
10/18/07	2006-1	781	556	-225	3146	3046	-100	4464	4314	-150
10/11/07	2006-1	413	138	-275	1795	1670	-125	3165	2990	-175
10/4/07	2006-1	400	125	275	1779	1654	-125	3013	2838	-175

The columns that are of particular interest are labelled "CDS/Cash", and are outlined by the red rectangles. The same series of numbers can be found in the "ABX.HE 2006-2", "ABX.HE 2007-1" and "ABX.HE 2007-2" sheets. Those columns correspond to the difference between the contents of the two prior columns:

$$\text{CDS/Cash} = \text{ABX/Cash} - \text{ABX/CDS}$$

The 3 quantities used in this equation are credit spreads, and since the ABX index credit spread is used in the 2 terms of the right handside of the equation, it doesn't impact CDS/Cash in any way.

If we take the example outlined by the blue rectangle, we see a CDS/Cash spread of -300bp, which is equal to 3,400bp minus 3,700bp. After some further research and discussions with JP Morgan, we were able to establish that CDS/Cash, in this particular example, is equal to the difference between the content of column O in the same sheet:

⁹ See the file called "JPM_ABS_Weekly_Spreads_20071210.xls".

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A	B	M	N	D	P	Q	R
*JP Morgan makes no representation that ABX spreads indicated above are accurate. Accounts should draw							
IE Spreads* and Closing							
Home Equity CDS							
Date	Series	A-		BBB		BBB-	
		Bid	Offer	Bid	Offer	Bid	Offer
12/6/07	2006-1	650	800	1500	1700	2000	2200
11/29/07	2006-1	650	800	1400	1600	1800	2000
11/22/07	2006-1	675	800	1400	1600	1800	2000
11/15/07	2006-1	600	700	1250	1400	1550	1750
11/8/07	2006-1	500	600	1100	1250	1400	1600
11/1/07	2006-1	450	490	1015	1090	1225	1315
10/25/07	2006-1	410	450	975	1050	1185	1275
10/18/07	2006-1	375	425	900	1025	1100	1250
10/11/07	2006-1	325	365	875	1000	1075	1200
10/4/07	2006-1	325	365	875	1000	1075	1200

which in our example is 1,500bp, and the content of column DJ of the "US" sheet:

A	DB	DI	DJ	DK	DL
ARMs/LIBOR					
Date	AAA	BBB+	BBB	BBB-	BB+
	1	5	5	5	5
12/6/07	150	1450	1800	2100	2350
11/29/07	150	1450	1800	2100	2350
11/22/07	125	1400	1750	2000	2250
11/15/07	120	1250	1500	1750	2000
11/8/07	120	1000	1200	1450	1750
11/1/07	120	900	1100	1300	1600
10/25/07	90	900	1100	1300	1600
10/18/07	80	850	1000	1250	1500
10/11/07	80	850	1000	1250	1500
10/4/07	80	850	1000	1250	1500

which in our example is 1,800bp and indeed, $1,500 - 1,800 = -300$ bp. Based on those numbers bond spreads are much wider than CDS spreads. We have to be careful however because the CDS/Cash spreads available in the JP Morgan spreadsheet are calculated using the bid side of the CDS. As of December 6, 2007, the bid-offer on the CDS is about 200bp so the -300bp basis between CDS and bonds is probably closer to -200bp. Also, we had a series of detailed discussions with the JP Morgan senior research analyst to ensure that we understood what those numbers meant, and in particular to ensure that the underlying of the CDS is identical to what "Cash" represents in the spreadsheet. We were explained that although the underlying of the CDS and "Cash" are close, they are not the same. JP Morgan ranks the originators in 4 quartiles, or "tiers" using the 60+ days delinquencies indicator using a pool of loans of comparable ages. In the 1st tier, which represents the better originators, you will find names like Chase and Wells Fargo. In the 2nd tier, First Franklin, Option One and Saxon. In the 3rd, Countrywide and Aegis and in the 4th, Fremont and WMC.

The "CDS" numbers provided in the spreadsheet correspond to tier 1 originators. The "Cash" numbers correspond to originators belonging to tiers 1 and 2. The bond credit spread is a direct function of the originator and there is a visible difference in credit spread for tier 1 and 2 originators. This means that even after adjusting for the CDS bid-offer, we need to consider that the -200bp negative basis spread in our example is on the wide side.

All this being said, the JP Morgan senior research analyst was very clear that the negative basis exists and is currently wide. He gave an illustration of a cash bond offered at 40%

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when the protection "bid" would be at 30%, which corresponds to a cash bond offered at 70% (the protection "bid" is the level where one can sell credit protection). Bid-offers are wide at the moment, so he used in his example a CDS bid-offer of 30%-50% which would imply a negative basis anywhere between 10% (50% - 40%) and 30% (70% - 40%).

We wanted to test the markets and entered into the following Negative Basis Trade:

- On December 10, 2007, we bought a Marks & Spencer 6.25% 01-DEC-17 bond for a notional of \$5m at a spread of LIBOR + 160.55bp (position ID 1171632) and as a credit hedge we bought protection via a \$5m CDS at 94bp (position ID 1171631). The purchase price of the bond was 98.086058% so the spread over LIBOR earned on the amount of cash invested is close to:

$$160.55bp / 98.086058\% = 163.68bp$$

The net spread which will be accrued over the life of the transaction (which is the earliest of the bond maturity date and an event of default) is 69.68bp. The Bloomberg screen shot shows the details of the transaction:

YIELD & SPREAD ANALYSIS				CUSIP57069PAC PCS BGN	
MARKS & SPENCER MKS6 1/4 12/01/17 97.6297/98.5160 (6.58/6.45) BGN MATRIX					
SETTLE 12/13/07	FACE AMT 1000 M	or PROCEEDS		982,079.86	
1) YA	YIELDS	2) YASD	RISK &	MKS 6 1/4 12/01/1	
PRICE 98.086058	No Rounding	HEDGE	workout	HEDGE BOND	
YIELD 6.514	1st	RATIOS	12/ 1/17 OAS	OAS	
SPRD 235.50	bp yld-decimals 5/8	Mod Dur	7.29 7.41	8.17	
versus			Risk	7.161 7.275 8.256	
10yr T 4 1/4 11/15/17	BENCHMARK	Convexity	0.67 0.69 0.79		
PRICE 100-23+	Save Delete	Workout HEDGE Amount: 884 M			
YIELD 4.159%	sd: 12/11/07	OAS HEDGE Amount: 881 M			
Yields are: Semi-Annual			12) CBS		
3) OAS	SPREADS	4) ASW	5) FPA FINANCING		
OAS: 239.8	CRV# CMT VOL Opt	ASW	Repo# 3,600	(360/365) 360	Days 1
OAS: 164.2	CRV# 152 TED: -151.0	11) History	Int Income	173.61 Carry P&L	
CRV# 152	US \$ SWAP 30/360	ISPRD 161.8	Fin Cost	-98.21 75.40	
ISPRD 161.8	DSPRD 167.8	Yield Curve: 125	Amortiz	1.27<-> 76.68	
US TREASURY ACTIVITIES			Forwrd Prc	98.078517	
+ 235	v 10.0yr (4.16%)	INTERPOLATED	Prc Drop	0.007540	
+ 236	v 10yr (4.16) T 4 1/4 11/15/17		Drop (bp)	0.11	
+ 188	v 30yr (4.63) T 5 05/15/37		Accrued Interest /100	0.121528	
			Number Of Days Accrued	7	
<small>Australia 61 2 9777 8600 Bro:11 5511 3048 4500 Europe 44 23 7330 7500 Germany 49 69 920410 Hong Kong 852 2977 6000 Japan 81 3 3201 6900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2007 Bloomberg Finance L.P. 6714-626-2 10-Dec-07 12:09:17</small>					

The difference between the spread of 164bp indicated on the Bloomberg screen shot and the 163.68bp is due to where the USD swap curve was when we put the interest rate hedge on. The Bloomberg screen shot also enables us to estimate the expected up-front P&L of the transaction:

$$69.68bp \times 7.29 = 5.08\%$$

on the amount of cash invested. Note that the size of the CDS (\$5m) is higher than the amount needed to hedge the exposure at the current bond price and level of interest rates so we are slightly over-hedged at the onset of the transaction.

We have received and continue to receive negative basis package offers from a range of dealers offering to lock in between 50bp and 100bp depending on the bond and underlying credit.

There are historical examples of dislocations between the bond and CDS markets.

The ABS CDS market is relatively new so it is not possible to provide historical examples of dislocations for this market.

However, in corporate names over the last 10 years, bond credit spreads have generally traded between 15bp lower than and 15bp above the CDS. In periods of dislocation, bonds have traded up to 30bp above the CDS but this is the first time we have seen generic investment grade bonds trading up to 50bp wider than CDS, especially when the bonds are trading at a discount to par or have a change of control put.

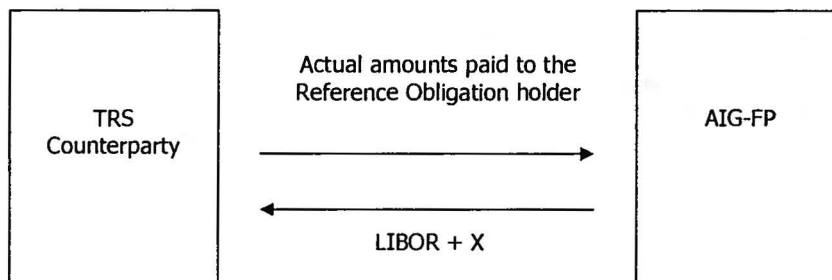
Obvious historical examples can be found in the automobile sector, with GMAC and Ford Motor Credit Co in 2005. The downgrades in the automobile sector to below investment grade brought a large number of retail sellers to the market, especially in Europe, who sold their bonds at distressed prices. The dealers were able to buy bonds and hedge the credit exposure by acquiring CDS protection 150 to 250 bp below the bonds' credit spread.

The bond vs CDS basis impacts the valuation of a TRS Deal as well.

AIG-FP has entered into 6 TRS Deals referencing the Super Senior Tranche of a multi-sector CDO. The list of TRS Deals is available in Appendix 1. Let's first compare how a CDS and a TRS are documented.

A CDS is documented as a one-way, fixed rate periodic payment stream with certain credit events (typically solely Failure to Pay on our Deals) resulting in the physical settlement of the Reference Obligation in amount equal to the outstanding notional amount of the transaction. A TRS is documented as two periodic payment streams offsetting for the most part, with a termination mechanism in the case of a Failure to Pay or certain other events.

Unlike a CDS in which a fixed rate periodic payment stream is paid by the protection buyer to the protection seller, the flows in our TRS transactions are as follows:



In the above diagram, "X" is typically set to be either the LIBOR spread of the Reference Obligation minus a number of basis points that are economically equivalent to the fixed rate AIG-FP would have been paid under a CDS, or simply the LIBOR spread of the Reference Obligation. In the latter case, AIG-FP is paid the equivalent CDS fixed rate by the CDO itself. The TRS flows are netted as long as the Reference Obligation pays its coupon, so the net TRS flow paid to AIG-FP is either the equivalent CDS fixed rate or zero. So as long as there is no credit event on the Reference Obligation, there is no economic or cash flow difference between a CDS and a TRS.

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The other main difference is the mechanism once there is a credit event on the Reference Obligation. Under a CDS, this would be a Failure to Pay credit event and the counterparty would be able to physically deliver the Reference Obligation to AIG-FP against an amount of cash equal to the then outstanding notional of the CDS Deal, which would imply a purchase price of 100% for the Reference Obligation. Under a TRS, the mechanism is as follows:

- As described in the above diagram, AIG-FP is obligated to pay LIBOR + X and receive the Reference Obligation interest payments until the termination date of the TRS contract.
- The TRS contract has several early termination events, and the most pertinent one for this analysis is a Reference Obligation "Event of Default" as defined in the underlying CDO indenture. For all AAA/Aaa CDO Tranches in our Deals, a failure to pay the coupon constitutes an event of default, so a Failure to Pay under a TRS causes an early termination of the TRS.
- Rather than automatically going to a physical settlement as is the case in a CDS, the first step is for the two parties to attempt to agree on a final price for the Reference Obligation. If the two parties agree, a cash settlement takes place by which AIG-FP pays the counterparty 100% less the final price, or if such amount is negative AIG-FP receives the final price less 100%. If AIG-FP and the counterparty do not agree on a final price, AIG-FP has the option to purchase the appropriate notional of the Reference Obligation at 100%, in which case the outcome is identical to a CDS Deal.

So economically, there is only one substantive difference between a CDS and a TRS following a credit event on the Reference Obligation. Under a CDS physical settlement alone applies, while under a TRS, AIG-FP may agree to a cash settlement if AIG-FP and the counterparty come to an agreement with respect to the final price of the Reference Obligation. Since AIG-FP has the option to purchase the Reference Obligation for a price of 100%, the TRS can be viewed as another means of documenting what is essentially the same trade as an equivalent CDS but more importantly, the TRS cannot be worth less than a CDS from AIG-FP's standpoint since AIG-FP has the option, **depending on the outcome of the negotiation about the final price**, to choose a better outcome than purchasing the Reference Obligation at 100%. For this reason, AIG-FP will treat the two types of Deals as equivalent from a valuation standpoint and reflect the bond vs CDS basis on a TRS Deal the same way as it is reflected on a CDS Deal.

Conclusions

- The disconnect between the collateral Exposure and the value of the CDS puts AIG-FP in a position where collateral has to be posted well in excess of what AIG-FP believes the value of the CDS to be. Given the state of the current market, the lack of transparency and liquidity, and the "tug of war" between forced sellers and predatory bottom fishers which depressed the Underlying Securities' market prices, AIG-FP does not believe that equation (1) necessarily holds right now and feels that assuming that the Leakage is 0 is as valid (or invalid) as using the currently very low market prices and until further notice will use that assumption to compute the collateral Exposures and in its collateral call negotiations with market counterparties.
- Although the purpose of the document was to make a certain number of observations regarding the Goldman Sachs collateral call disagreement, we should take this opportunity to clarify how we are going to produce the official valuations of the Deals until further notice. The New Products group has made available various implementations of the BET model. The one which is the most complete is the version which takes the credit mitigants (over-collateralization and event of default triggers) into account. This is the version of the BET model that we should use in all our valuations going forward.

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- The BET model will be run twice with different sets of inputs:
 1. The generic spreads provided by JP Morgan on a weekly basis, further adjusted using the ABX series 06-1 spreads for the US sub-prime RMBS securities. For CDO securities, the credit traders will provide the spread marks themselves given that the data provided by JP Morgan for those securities is not representative anymore for this type of securities. This set of credit spreads is expected to imply the "true" loss probability.
 2. The market prices collected by the CDO Managers from various dealers. The resulting BET model valuations are then adjusted to reflect the bond vs CDS basis. This process is time consuming but enables us to build a comprehensive database of market prices. The main issue is that we get the Pricing Reports over a long period of time so month-end valuations can only be done with a lag of 3 weeks to 1 month. Consequently, we are going to compute 2 sets of numbers for each month-end. The first set of valuations will be based on the prior month end CDO Manager prices, further adjusted by the credit traders who will provide changes in prices based on their expectations given what the credit markets did during the month which just finished. The second set of valuations will be based on the new set of CDO Manager prices and will be available 3 weeks to 1 month after each month-end.
- The BET model should provide the following calculations for each Deal:
 - a. NAV (which should be equal to the sum of the market values of the Underlying Securities if the credit spreads are correctly calibrated for all of them),
 - b. Discounted Expected Loss ("DEL"),
 - c. Discounted Expected Spread Accrual ("DESA"),
 - d. Super Senior Value,
 - e. Leakage,
 - f. Super Senior Value assuming that Leakage = 0.
- All CDS Deals fall under the scope of Credit Support Annexes ("CSA") signed with the counterparties, so AIG-FP's credit spreads should not be taken into account in the calculation of the bond vs CDS basis.
- The TRS Deals give rise to a bond vs CDS basis benefit as well.
- We are finalising our analysis of the accounting treatment of the 2a-7 Put Deals to establish whether they give rise to a bond vs CDS basis benefit as well.
- The bond vs CDS basis will have two components:
 - a. A funding spread component which will be applied to the Super Senior Value,
 - b. An additional bond vs CDS basis component which will be a function of the difference between 100% and the Super Senior Value. This component will be represented as a curve and will be provided by the credit traders.

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Appendix 1

The main table provided below gives the list of live multi-sector CDO super senior transactions which Underlying Collateral is exposed to US RMBS. Those transactions are based on 107 different CDOs. This total of 107 contains the 104 CDOs mentioned on page 44 of Bob Lewis' "Residential Mortgage Presentation" dated November 8, 2007 (the Underlying Collateral of each one of those 104 transactions is exposed to US sub-prime RMBS) and 3 CDOs ("Triax 2006-2", "Triax Prime CDO 2006-1 " and "West Coast 2006-1X A1V") which are exposed to US prime RMBS (typically Alt-A). Here is a reconciliation of this list with Exhibit 1¹⁰ provided by AIG-FP's Structured Credit Middle Office group and dated September 30, 2007:

D. CDO of Asset-Backed-Securities	103
less European RMBS	-2
less Mozart	-1
less CMBS Static	-2
less Not Applicable	-3
E. CDO of Asset-Backed Securities - 2a7 Transactions	16
less CMBS	-5
plus GStar 2002-2	1
	107

The "Mozart" CDO should be excluded because it should have been part of the "European RMBS" category. The "GStar 2002-2" should be included because although it is predominantly CMBS, it does include some US sub-prime RMBS and Alt-A collateral.

The 107 different CDOs are all included in the list of 113 CDOs which are currently valued using the BET model. For reference, the reconciliation of this total of 113 and Exhibit 1 provided by AIG FP's Structured Credit Middle Office group is:

D. CDO of Asset-Backed-Securities	103
less European RMBS	-2
less Mozart	-1
less Not Applicable	-3
E. CDO of Asset-Backed Securities - 2a7 Transactions	16
	113

The reason why those 6 CDOs are not valued using the BET model is because for 5 of them the Underlying Securities are EUR-denominated, and for the last one called "Cheyne Credit Opportunity", the AIG-FP credit exposure is currently 0.

¹⁰ See the file called Exh1_Sept2007.pdf.

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The table contains a total of 31 transactions closed with Goldman Sachs, 28 with "GOLDMAN SACHS INTERNATIONAL" and 3 with "GOLDMAN SACHS CAPITAL MARKETS L.P.". In addition, the "CMS Static" category contains 2 transactions ("Abacus 2006-NS1" and "Abacus 2007-18") which were also closed with Goldman Sachs so the total number of multi-sector CDO transactions closed with Goldman Sachs is 33.

#	Deal	Position ID	Counterparty	Position Type
1	Abacus 2004-1	659460	GOLDMAN SACHS INTERNATIONAL	CDS
2	Abacus 2004-2	659461	GOLDMAN SACHS INTERNATIONAL	CDS
3	Abacus 2005-2	699460	GOLDMAN SACHS INTERNATIONAL	CDS
4	Abacus 2005-3	666404	GOLDMAN SACHS INTERNATIONAL	CDS
5	Abacus 2005-CB1A	717970	GOLDMAN SACHS INTERNATIONAL	CDS
6	Adirondack 2005-1	649529	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
6		649530	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
7	Adirondack 2005-2	709054	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
7		709055	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
8	Alexander Park CDO I	539163	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
8		539164	RABOBANK NEDERLAND, LONDON BRANCH	CDS
9	Altius I Funding	681588	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
9		681589	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
10	Altius II Funding	706100	GOLDMAN SACHS INTERNATIONAL	CDS
11	Ayresome CDO I	713197	BARCLAYS BANK PLC, LONDON BRANCH	CDS
12	Belle Haven ABS CDO	606572	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
12		606573	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
13	Bernoulli High Grade CDO I	763149	ROYAL BANK OF SCOTLAND, LONDON BRANCH	CDS
13		763150	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
13		763151	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
14	BFC Genesee CDO	748777	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
15	Bluegrass ABS CDO II	549808	BLUEGRASS ABS CDO II, LTD	2a7 Put
15		549810	BANK OF MONTREAL, CHICAGO BRANCH	TRS
15		850249	BANK OF MONTREAL, CHICAGO BRANCH	TRS
16	Broderick CDO I LTD	721694	GOLDMAN SACHS INTERNATIONAL	CDS
17	Camber 3	643277	SOCIETE GENERALE S.A., PARIS HEAD OFFICE	CDS
18	Cascade Funding CDO I	568715	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
19	Commodore 2005-4A A1A	705235	COMMODORE CDO IV, LTD	CDS
20	Commodore CDO II	523803	COMMODORE CDO II, LTD	2a7 Put
21	Coolidge Funding	662634	GOLDMAN SACHS INTERNATIONAL	CDS
22	Davis Square 2003-1	511911	DAVIS SQUARE FUNDING I, LTD	2a7 Put
22		511912	BANK OF MONTREAL, CHICAGO BRANCH	TRS
22		511913	DAVIS SQUARE FUNDING I, LTD	2a7 Put
22		512761	GEORGE QUAY FUNDING I LTD	CDS
23	Davis Square Funding II	554321	WACHOVIA BANK NATIONAL ASSOCIATION, CHARLOTTE BRANCH	CDS
23		554322	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS

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24	Davis Square Funding III	588766	CALYON, PARIS BRANCH	CDS
24		588767	CALYON, PARIS BRANCH	CDS
25	Davis Square Funding IV	639874	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
25		639875	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
26	Davis Square Funding V	693908	CALYON, PARIS BRANCH	CDS
27	Davis Square Funding VI	762602	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
27		762603	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
28	Diogenes CDO I	705198	CORAL PURCHASING (IRELAND) LIMITED	CDS
29	Duke Funding HG 1	617609	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
29		617610	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
30	Duke Funding VI	544095	DUKE FUNDING VI, LTD	2a7 Put
30		544101	DUKE FUNDING VI, LTD	2a7 Put
30		544102	CASH EQUIVALENT FUND II	TRS
30		544103	BANK OF MONTREAL, TORONTO BRANCH	TRS
31	Duke Funding VII	572342	RABOBANK NEDERLAND, LONDON BRANCH	CDS
31		572343	CALYON, PARIS BRANCH	CDS
31		572344	GOLDMAN SACHS CAPITAL MARKETS L.P	CDS
32	Duke Funding VIII CDO	637598	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
33	Dunhill ABS CDO	608790	GOLDMAN SACHS INTERNATIONAL	CDS
34	Fort Dearborn CDO I	678580	FORT DEARBORN CDO I LTD	CDS
35	Fort Sheridan CDO	635577	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
35		635578	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
36	Monroe Harbor CDO 2005-1	680088	CALYON, PARIS BRANCH	CDS
37	Fortius I Funding	751667	GOLDMAN SACHS INTERNATIONAL	CDS
38	G Street Finance	701179	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
38		701180	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
39	Gemstone CDO III	670006	CORAL PURCHASING (IRELAND) LIMITED	CDS
40	Gemstone CDO IV	730365	CORAL PURCHASING (IRELAND) LIMITED	CDS
41	Glacier Funding CDO II	586780	GOLDMAN SACHS INTERNATIONAL	CDS
42	Glacier Funding CDO III	678582	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
43	GStar 2002-2 - 2a7	441702	G STAR 2002-2, LTD	2a7 Put
44	Hout Bay 2006-1	783610	GOLDMAN SACHS INTERNATIONAL	CDS
45	Huntington CDO	635569	GOLDMAN SACHS INTERNATIONAL	CDS
46	Independence IV CDO	485565	CCN (INDEPENDENCE IV) LLC	2a7 Put
47	Independence V CDO	539161	GOLDMAN SACHS CAPITAL MARKETS L.P	CDS
47		539162	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
48	Independence VI CDO	667755	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
48		663427	CORAL PURCHASING (IRELAND) LIMITED	CDS
49	Straits Global ABS CDO I	589923	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
50	Iona CDO I	575649	IONA CDO I LIMITED	CDS
51	Ischus CDO II	678579	GOLDMAN SACHS INTERNATIONAL	CDS

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52	Ischus High Grade Funding I	750608	UBS AG, LONDON BRANCH	CDS
53	Jupiter High-Grade CDO	658684	CORAL PURCHASING (IRELAND) LIMITED	CDS
54	Jupiter High-Grade CDO II	635576	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
55	Jupiter High-Grade CDO III	680086	GOLDMAN SACHS INTERNATIONAL	CDS
55		680087	ROYAL BANK OF SCOTLAND, LONDON BRANCH	CDS
56	Khaleej II CDO	691130	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
57	Kleros Preferred Funding	655721	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
57		655722	ROYAL BANK OF SCOTLAND, LONDON BRANCH	CDS
58	Kleros Preferred Funding II	727404	GOLDMAN SACHS INTERNATIONAL	CDS
59	Laguna ABS CDO	592821	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
59		592822	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
60	Lakeside CDO I	523275	LAKESIDE FUNDING LLC	2a7 Put
61	Lakeside CDO II	547105	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
61		547106	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
62	Lexington Capital Funding	702233	GOLDMAN SACHS INTERNATIONAL	CDS
63	Long Hill 2006-1	751111	UBS AG, LONDON BRANCH	CDS
64	Margate Funding I	608791	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
64		608792	UBS AG, LONDON BRANCH	CDS
65	Mercury CDO 2004-1	594511	GOLDMAN SACHS INTERNATIONAL	CDS
65		594512	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
66	Mercury CDO II	715134	BANK OF AMERICA, N.A., CHARLOTTE BRANCH	TRS
67	MKP CBO III	548643	GOLDMAN SACHS CAPITAL MARKETS L.P	CDS
67		548644	RABOBANK NEDERLAND, LONDON BRANCH	CDS
68	MKP CBO IV	632214	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
68		632215	ROYAL BANK OF SCOTLAND, LONDON BRANCH	CDS
69	MKP CBO V	721110	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
70	Montauk Point CDO	750456	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
70		750457	HSBC BANK USA, NA, NEW YORK BRANCH	CDS
71	Neptune CDO 2004-1	617611	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
71		617612	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
72	Neptune CDO II	672659	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
73	Northlake CDO I	459375	NORTHLAKE CDO I, LTD	2a7 Put
74	Orchard Park	449707	CCN (ORCHARD PARK) LLC	2a7 Put
75	Orchid Structured Finance CDO	523284	ORCHID CDO, LTD	2a7 Put
76	Orchid Structured Finance CDO II	642362	GOLDMAN SACHS INTERNATIONAL	CDS
77	Orient Point CDO	702234	GOLDMAN SACHS INTERNATIONAL	CDS
78	Palisades CDO	567239	DEUTSCHE BANK A.G., LONDON BRANCH	CDS
78		567240	RABOBANK NEDERLAND, LONDON BRANCH	CDS
79	Pine Mountain CDO	710822	CORAL PURCHASING (IRELAND) LIMITED	CDS
80	Putnam 2002-1 A-1LT	517874	BANK OF MONTREAL, CHICAGO BRANCH	TRS
80		449391	PUTNAM STRUCTURED PRODUCT CDO 2002-1, LTD	2a7 Put

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80		583064	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
80		583065	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
80		611708	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
81	Putnam Structured Product CDO 2001-1	363662	LASALLE BANK AS TRUSTEE FOR PUTNAM STRUCTURED PROD CDO 2001-1	2a7 Put
82	Reservoir Funding	589920	GOLDMAN SACHS INTERNATIONAL	CDS
83	RFC CDO III	741929	RFC CDO III LTD	CDS
84	River North CDO	615400	GOLDMAN SACHS INTERNATIONAL	CDS
85	Satum Ventures 2005-1	659462	GOLDMAN SACHS INTERNATIONAL	CDS
86	Sherwood Funding CDO	589921	RABOBANK NEDERLAND, LONDON BRANCH	CDS
86		589922	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
87	Sherwood Funding CDO II LTD	721695	GOLDMAN SACHS INTERNATIONAL	CDS
88	Sierra Madre Funding	569773	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
88		569774	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
89	Skybox CDO, LTD	721696	CANADIAN IMPERIAL BANK OF COMMERCE, LONDON BRANCH	CDS
90	South Coast Funding IV	524614	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
90		524615	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
91	South Coast Funding V	564646	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
91		564647	RABOBANK NEDERLAND, LONDON BRANCH	CDS
92	South Coast Funding VII	655101	GOLDMAN SACHS INTERNATIONAL	CDS
93	South Coast Funding VIII	734255	GOLDMAN SACHS INTERNATIONAL	CDS
94	Start 2005-BA A1	705688	STATIC RESIDENTIAL CDO 2005-B LTD	CDS
95	Start 2005-C A1	730892	STATIC RESIDENTIAL CDO 2005-C LIMITED	CDS
96	Streeterville ABS CDO	583384	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
96		583385	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
97	Summer Street 2005-HG1	719016	BARCLAYS BANK PLC, LONDON BRANCH	CDS
98	Summit RMB5 CDO I	623312	UBS AG, LONDON BRANCH	CDS
99	TABS 2005-4	734938	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
100	Toro ABS CDO I	667754	MERRILL LYNCH INTERNATIONAL, LONDON	CDS
101	Verde CDO	713196	BARCLAYS BANK PLC, LONDON BRANCH	CDS
102	Vertical ABS CDO 2005-1	667756	UBS AG, LONDON BRANCH	CDS
103	Whately CDO I	560547	UBS AG, LONDON BRANCH	CDS
104	Witherspoon CDO Funding	606632	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
104		606633	SOCIETE GENERALE S.A., NEW YORK BRANCH	CDS
105	West Coast 2006-1X A1V	820905	GOLDMAN SACHS INTERNATIONAL	CDS
106	Triax 2006-2	892353	GOLDMAN SACHS INTERNATIONAL	CDS
106		889551	REMO FINANCE INC	CDS
106		889552	CORAL PURCHASING (IRELAND) 2 LIMITED	CDS
107	Triaxx Prime CDO 2006-1	829256	CORAL PURCHASING (IRELAND) LIMITED	CDS
107		829257	UBS AG, LONDON BRANCH	CDS

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Appendix 2

#	Deal	CDO Manager	CDO Trustee	Prices?	Original	Current	Type
1	Abacus 2004-1	Goldman Sachs	Lasalle Bank NA	Delayed	Static	Static	High Grade
2	Abacus 2004-2	Goldman Sachs	Lasalle Bank NA	Delayed	Static	Static	Mezzanine
3	Abacus 2005-2	Goldman Sachs	Lasalle Bank NA	Delayed	Static	Static	High Grade
4	Abacus 2005-3	Goldman Sachs	Lasalle Bank NA	Delayed	Static	Static	Mezzanine
5	Abacus 2005-CB1A	C-BASS	Lasalle Bank NA	Delayed	Static	Static	Mezzanine
6	Adirondack 2005-1	Clinton	Lasalle Bank NA	No	Static	Static	High Grade
7	Adirondack 2005-2	Clinton	Lasalle Bank NA	Delayed	Static	Static	High Grade
8	Alexander Park CDO I	Princeton Advisory Group	Deutsche Bank Trust	Yes	Managed	Managed	Mezzanine
9	Altius I Funding	Aladdin Capital Management LLC	Lasalle Bank NA	Yes	Static	Static	High Grade
10	Altius II Funding	Aladdin Capital Management LLC	Lasalle Bank NA	Yes	Managed	Managed	High Grade
11	Ayresome CDO I	General RE – New England Asset Management	Lasalle Bank NA	No	Managed	Managed	Mezzanine
12	Belle Haven ABS CDO	NIB Credit Management, Inc	Wells Fargo Bank	Yes	Managed	Managed	High Grade
13	Bernoulli High Grade CDO I	Babcock & Brown Securities Pty Ltd	Lasalle Bank NA	Yes	Managed	Managed	High Grade
14	BFC Genesee CDO	Bradford Financial Corporation	Wells Fargo Bank	Yes	Managed	Managed	Mezzanine
15	Bluegrass ABS CDO II	Invesco Inc	Wells Fargo Bank	No	Managed	Static	Mezzanine
16	Broderick CDO I LTD	Seneca Capital Management	Bank of New York	Yes	Managed	Managed	High Grade
17	Camber 3	Cambridge Investment Management LLP	HSBC Bank	No	Managed	Managed	Mezzanine
18	Cascade Funding CDO I	Terwin Money Management	Bank of New York	Yes	Static	Static	High Grade
19	Commodore 2005-4A A1A	Fischer, Francis, Trees & Watts Inc	Investors Bank & Trust	No	Managed	Managed	Mezzanine
20	Commodore CDO II	Fischer, Francis, Trees & Watts Inc	US Bank NA	No	Static	Static	Mezzanine
21	Coolidge Funding	Allianz Risk Transfer	Lasalle Bank NA	No	Static	Static	Mezzanine
22	Davis Square 2003-1	Trust Company of the West ("TCW")	Lasalle Bank NA	Yes	Static	Static	High Grade
23	Davis Square Funding II	Trust Company of the West ("TCW")	Lasalle Bank NA	Yes	Managed	Managed	High Grade
24	Davis Square Funding III	Trust Company of the West ("TCW")	Lasalle Bank NA	Yes	Managed	Managed	High Grade
25	Davis Square Funding IV	Trust Company of the West ("TCW")	Lasalle Bank NA	Yes	Managed	Managed	High Grade
26	Davis Square Funding V	Trust Company of the West ("TCW")	Bank of New York	Yes	Managed	Managed	High Grade
27	Davis Square Funding VI	Trust Company of the West ("TCW")	Bank of New York	Yes	Managed	Managed	High Grade
28	Diogenes CDO I	State Street Global Advisors	Bank of New York	Yes	Managed	Managed	Mezzanine
29	Duke Funding HG 1	Duke Funding Management (sub of Ellington Capital Management)	Bank of New York	No	Managed	Managed	High Grade
30	Duke Funding VI	Duke Funding Management (sub of Ellington Capital Management)	Bank of New York	No	Managed	Static	Mezzanine
31	Duke Funding VII	Duke Funding Management (sub of Ellington Capital Management)	Bank of New York	No	Managed	Static	Mezzanine
32	Duke Funding VIII CDO	Duke Funding Management (sub of Ellington Capital Management)	Bank of New York	No	Managed	Managed	Mezzanine
33	Dunhill ABS CDO	Vanderbilt Capital Advisors LLC	Lasalle Bank NA	Yes	Managed	Managed	Mezzanine
34	Fort Dearborn CDO I	Vanderbilt Capital Advisors LLC	Lasalle Bank NA	Yes	Managed	Managed	Mezzanine
35	Fort Sheridan CDO	Vanderbilt Capital Advisors LLC	Lasalle Bank NA	Yes	Managed	Managed	High Grade
36	Monroe Harbor CDO 2005-1	Vanderbilt Capital Advisors LLC	Lasalle Bank NA	Yes	Managed	Managed	High Grade

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37	Fortius I Funding	Aladdin Asset Management LLC	Bank of New York	Delayed	Static	Static	Mezzanine
38	G Street Finance	Wharton Asset Management	Lasalle Bank NA	No	Static	Static	High Grade
39	Gemstone CDO III	HBK Investments L.P.	Deutsche Bank Trust	Yes	Static	Static	Mezzanine
40	Gemstone CDO IV	HBK Investments L.P.	Deutsche Bank Trust	Yes	Managed	Managed	Mezzanine
41	Glacier Funding CDO II	Terwin Money Management	Bank of New York	Yes	Managed	Static	Mezzanine
42	Glacier Funding CDO III	Terwin Money Management	Bank of New York	Yes	Managed	Static	Mezzanine
43	GStar 2002-2 - 2a7	GMAC Institutional Advisors LLC	Lasalle Bank NA	No	Static	Static	Mezzanine
44	Hout Bay 2006-1	Goldman Sachs	Lasalle Bank NA	No	Static	Static	High Grade
45	Huntington CDO	Western Asset Management Company (Wamco)	Wells Fargo Bank	Yes	Managed	Managed	Mezzanine
46	Independence IV CDO	Declaration Management & Research LLC	Bank of New York	Yes	Static	Static	Mezzanine
47	Independence V CDO	Declaration Management & Research LLC	Bank of New York	Yes	Managed	Static	Mezzanine
48	Independence VI CDO	Declaration Management & Research LLC	Bank of New York	Yes	Managed	Managed	Mezzanine
49	Straits Global ABS CDO I	Declaration Management & Research LLC	Bank of New York	Yes	Managed	Static	Mezzanine
50	Iona CDO I	AXA Investment Managers	Bank of New York	Yes	Managed	Managed	High Grade
51	Ischus CDO II	Ischus Capital Management	Bank of New York	No	Managed	Managed	Mezzanine
52	Ischus High Grade Funding I	Ischus Capital Management	Deutsche Bank Trust	Yes	Managed	Managed	High Grade
53	Jupiter High-Grade CDO	Harding Advisory LLC (former Maxim Advisory)	Wells Fargo Bank	Yes	Static	Static	High Grade
54	Jupiter High-Grade CDO II	Harding Advisory LLC (former Maxim Advisory)	Wells Fargo Bank	Yes	Static	Static	High Grade
55	Jupiter High-Grade CDO III	Harding Advisory LLC (former Maxim Advisory)	Wells Fargo Bank	Yes	Managed	Static	High Grade
56	Khaleej II CDO	ACA Capital Management	Lasalle Bank NA	Yes	Managed	Managed	Mezzanine
57	Kleros Preferred Funding	Strategos (unit of Cohen and Company)	Wells Fargo Bank	Yes	Static	Static	High Grade
58	Kleros Preferred Funding II	Strategos (unit of Cohen and Company)	Lasalle Bank NA	Yes	Managed	Managed	High Grade
59	Laguna ABS CDO	PIMCO	Wells Fargo Bank	No	Managed	Managed	High Grade
60	Lakeside CDO I	Vanderbilt Capital Advisors LLC	Lasalle Bank NA	Yes	Static	Static	High Grade
61	Lakeside CDO II	Vanderbilt Capital Advisors LLC	Lasalle Bank NA	Yes	Static	Static	High Grade
62	Lexington Capital Funding	Harding Advisory LLC	Bank of New York	Yes	Managed	Managed	Mezzanine
63	Long Hill 2006-1	Alliance Capital Management	Bank of New York	Delayed	Managed	Managed	Mezzanine
64	Margate Funding I	Delaware Investment Advisors	Wells Fargo Bank	Yes	Managed	Managed	High Grade
65	Mercury CDO 2004-1	Fund America Management Corp	Deutsche Bank Trust	Yes	Static	Static	High Grade
66	Mercury CDO II	Fund America Management Corp	Deutsche Bank Trust	Yes	Managed	Managed	High Grade
67	MKP CBO III	MKP Capital Management	Bank of New York	Yes	Managed	Static	Mezzanine
68	MKP CBO IV	MKP Capital Management	Bank of New York	Yes	Managed	Managed	Mezzanine
69	MKP CBO V	MKP Capital Management	Bank of New York	Yes	Managed	Managed	Mezzanine
70	Montauk Point CDO	Fortis Investment Management/Fortis Management USA	Lasalle Bank NA	Yes	Managed	Managed	Mezzanine
71	Neptune CDO 2004-1	Fund America Management Corp	Deutsche Bank Trust	Yes	Managed	Managed	Mezzanine
72	Neptune CDO II	Fund America Management Corp	Deutsche Bank Trust	Yes	Managed	Managed	Mezzanine
73	Northlake CDO I	Deerfield Capital Management	Deutsche Bank Trust	Yes	Managed	Static	Mezzanine
74	Orchard Park	Credit Suisse First Boston	Wells Fargo Bank	No	Static	Static	High Grade
75	Orchid Structured Finance CDO	ST Asset Management Pte	Wells Fargo Bank	No	Static	Static	Mezzanine
76	Orchid Structured Finance CDO II	ST Asset Management Pte	Wells Fargo Bank	Yes	Static	Static	Mezzanine
77	Orient Point CDO	Fortis Investment Management/Fortis Management USA	Lasalle Bank NA	Yes	Managed	Managed	High Grade

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78	Palisades CDO	Western Asset Management Company (Wamco)	Wells Fargo Bank	Yes	Managed	Managed	Mezzanine
79	Pine Mountain CDO	Smith Breeden Associates	Deutsche Bank Trust	No	Managed	Managed	Mezzanine
80	Putnam 2002-1 A-1LT	Putnam	Lasalle Bank NA	Yes	Static	Managed	High Grade
81	Putnam Structured Product CDO 2001-1	Putnam	Lasalle Bank NA	Delayed	Static	Static	High Grade
82	Reservoir Funding	MBIA Capital Management Corp	Wells Fargo Bank	Yes	Static	Static	High Grade
83	RFC CDO III	GMAC Residential Funding Corp	Wells Fargo Bank	No	Managed	Managed	Mezzanine
84	River North CDO	Deerfield Capital Management	Deutsche Bank Trust	Yes	Managed	Managed	Mezzanine
85	Saturn Ventures 2005-1	Metropolitan West Asset Management	Lasalle Bank NA	No	Static	Static	Mezzanine
86	Sherwood Funding CDO	Church Tavern Advisors	Bank of New York	No	Managed	Managed	Mezzanine
87	Sherwood Funding CDO II LTD	Church Tavern Advisors	Bank of New York	No	Managed	Managed	Mezzanine
88	Sierra Madre Funding	Western Asset Management Company (Wamco)	Bank of New York	Yes	Managed	Managed	High Grade
89	Skybox CDO, LTD	None: Static Pool (JP Morgan originator)	Bank of New York	No	Static	Static	Mezzanine
90	South Coast Funding IV	Trust Company of the West ("TCW")	Bank of New York	Yes	Managed	Static	Mezzanine
91	South Coast Funding V	Trust Company of the West ("TCW")	Bank of New York	Delayed	Managed	Static	Mezzanine
92	South Coast Funding VII	Trust Company of the West ("TCW")	Bank of New York	Yes	Managed	Managed	Mezzanine
93	South Coast Funding VIII	Trust Company of the West ("TCW")	Bank of New York	Delayed	Managed	Managed	Mezzanine
94	Start 2005-BA A1	Deutsche Bank	Lasalle Bank NA	Delayed	Static	Static	Mezzanine
95	Start 2005-C A1	Deutsche Bank	Lasalle Bank NA	Delayed	Static	Static	Mezzanine
96	Streeterville ABS CDO	Vanderbilt Capital Advisors LLC	Lasalle Bank NA	Yes	Managed	Static	High Grade
97	Summer Street 2005-HG1	GE Asset Managers	Lasalle Bank NA	Yes	Managed	Managed	High Grade
98	Summit RMBS CDO I	Summit Investment Partners	Lasalle Bank NA	Yes	Managed	Managed	Mezzanine
99	TABS 2005-4	Tricadia CDO Management	Bank of New York	Yes	Managed	Managed	Mezzanine
100	Toro ABS CDO I	MLIM/Blackrock	Bank of New York	No	Managed	Static	High Grade
101	Verde CDO	Lehman Asset Management	Lasalle Bank NA	No	Managed	Managed	High Grade
102	Vertical ABS CDO 2005-1	Vertical Capital LLC	Wells Fargo Bank	Yes	Managed	Managed	Mezzanine
103	Whately CDO I	Babson	Lasalle Bank NA	Delayed	Managed	Static	Mezzanine
104	Witherspoon CDO Funding	Wachovia	Deutsche Bank Trust	Yes	Managed	Managed	High Grade
105	West Coast 2006-1X A1V	Trust Company of the West ("TCW")	Bank of New York	Yes	Managed	Managed	Prime
106	Triax 2006-2	ICP	Lasalle Bank NA	Yes	Static	Static	Prime
107	Triaxx Prime CDO 2006-1	ICP	Lasalle Bank NA	Delayed	Static	Static	Prime

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Appendix 3

The list of trades provided in the table below is based on a spreadsheet¹¹ sent by Goldman Sachs on November 2, 2007. There is a total of 27 separate trades but there are 5 pairs of trades which are based on the same CDO so the 27 trades correspond to 22 different CDOs and positions in AIG-FP's systems.

Deal	Pos ID	NAV	Super Senior Size	Leakage	Super Senior Value	Re-Calculated	Difference ²	Actual Notional
					80.10%	81.35%		14,507,007,336
Altius II Funding	706100	77.00%	84.10%	5.00%	83.30%	86.56%	3.26%	1,153,336,443
Broderick CDO I LTD	721694	68.90%	84.00%	5.00%	77.00%	77.02%	0.02%	345,420,648
Broderick CDO I LTD	721694				77.00%	77.02%		472,578,320
Duke Funding VII	572344	57.70%	68.70%	8.70%	75.20%	75.29%	0.09%	129,650,000
Dunhill ABS CDO	608790	60.80%	63.70%	10.40%	85.00%	85.05%	0.05%	271,101,327
Huntington CDO	635569	63.20%	66.30%	9.90%	85.60%	85.42%	-0.18%	406,500,000
Independence V CDO	539161	47.80%	53.80%	15.10%	73.90%	73.75%	-0.15%	142,553,117
Ischus CDO II	678579	53.70%	65.50%	13.90%	68.10%	68.08%	-0.02%	213,750,000
Ischus CDO II	678579				68.10%	68.08%		50,000,000
Jupiter High-Grade CDO III	680086	71.60%	84.50%	5.00%	79.70%	79.73%	0.03%	1,253,495,357
Kleros Preferred Funding II	727404	77.50%	86.90%	5.00%	84.20%	84.18%	-0.02%	859,602,990
Lexington Capital Funding	702233	50.80%	66.40%	15.10%	61.40%	61.41%	0.01%	189,951,776
Mercury CDO 2004-1	594511	78.00%	76.40%	5.30%	94.70%	96.79%	2.09%	200,994,743
MKP CBO III	548643	75.00%	30.00%	0.00%	100.00%	100.00%	0.00%	37,867,405
Orchid Structured Finance CDO II	642362	58.00%	64.00%	17.80%	72.90%	72.83%	-0.08%	104,094,972
Orient Point CDO	702234	61.20%	86.20%	5.00%	66.00%	66.00%	0.00%	647,250,000
Orient Point CDO	702234				66.00%	66.00%		649,750,000
Reservoir Funding	589920	71.00%	71.30%	9.70%	90.00%	89.88%	-0.12%	315,681,873
River North CDO	615400	59.80%	64.60%	16.30%	76.20%	76.27%	0.07%	149,750,000
Saturn Ventures 2005-1	659462	60.60%	57.90%	16.50%	83.50%	88.16%	4.66%	196,736,964
Sherwood Funding CDO II LTD	721695	52.80%	64.60%	16.50%	65.30%	65.23%	-0.07%	322,250,000
South Coast Funding VII	655101	59.60%	69.00%	12.70%	73.60%	73.68%	0.08%	684,086,415
South Coast Funding VIII	734255	49.10%	68.10%	13.20%	58.80%	58.90%	0.10%	335,104,984
Triax 2006-2	892353	93.90%	90.00%	5.00%	95.00%	99.33%	4.33%	1,499,850,000
Triax 2006-2	892353				95.00%	99.33%		1,499,850,000
West Coast 2006-1X A1V	820905	69.10%	88.00%	5.00%	73.50%	73.52%	0.02%	1,187,950,000
West Coast 2006-1X A1V	820905				73.50%	73.52%		1,187,850,000

¹¹ See the file called "AIG_Sent_110207.xls".

¹² The cells highlighted in red correspond to Deals for which the numbers provided by Goldman Sachs do not satisfy equation (1). This is most likely due to mistakes made either by Goldman Sachs or ourselves when we wrote the numbers down.

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Appendix 4

Deal	CDO Manager	Report Date	# Prices
Altius I Funding	Aladdin Capital Management LLC	30-Sep-07	105
Altius II Funding	Aladdin Capital Management LLC	30-Sep-07	74
Davis Square 2003-1	Trust Company of the West ("TCW")	30-Sep-07	261
Davis Square Funding II	Trust Company of the West ("TCW")	30-Sep-07	271
Davis Square Funding III	Trust Company of the West ("TCW")	30-Sep-07	251
Davis Square Funding IV	Trust Company of the West ("TCW")	30-Sep-07	249
Diogenes CDO I	State Street Global Advisors	28-Sep-07	95
Fortius I Funding	Aladdin Asset Management LLC	30-Sep-07	97
Independence IV CDO	Declaration Management & Research LLC	30-Sep-07	108
Independence V CDO	Declaration Management & Research LLC	30-Sep-07	209
Independence VI CDO	Declaration Management & Research LLC	30-Sep-07	326
Iona CDO I	AXA Investment Managers	04-Oct-07	163
Kleros Preferred Funding	Strategos (unit of Cohen and Company)	05-Oct-07	240
Kleros Preferred Funding II	Strategos (unit of Cohen and Company)	05-Oct-07	193
Reservoir Funding	MBIA Capital Management Corp	28-Sep-07	110
Start 2005-C A1	Deutsche Bank	03-Oct-07	112
Straits Global ABS CDO I	Declaration Management & Research LLC	30-Sep-07	172
Whately CDO I	Babson	05-Oct-07	274
Total			3,310

Deal	CDO Manager	Report Date	# Prices	Comment
	ACA Capital Management	31-Oct-07	142	For "ACA ABS 2003-1" which is not one of our Deals
Alexander Park CDO I	Princeton Advisory Group	31-Oct-07	104	
Altius I Funding	Aladdin Capital Management LLC	31-Oct-07	160	
Altius II Funding	Aladdin Capital Management LLC	31-Oct-07	132	
Belle Haven ABS CDO	NIB Credit Management, Inc	31-Oct-07	266	
Bernoulli High Grade CDO I	Babcock & Brown Securities Pty Ltd	31-Oct-07	607	
BFC Genesee CDO	Bradford Financial Corporation	31-Oct-07	125	
Broderick CDO I LTD	Seneca Capital Management	31-Oct-07	147	
Cascade Funding CDO I	Terwin Money Management	31-Oct-07	92	
Davis Square 2003-1	Trust Company of the West ("TCW")	31-Oct-07	262	
Davis Square Funding II	Trust Company of the West ("TCW")	31-Oct-07	276	
Davis Square Funding III	Trust Company of the West ("TCW")	31-Oct-07	256	
Davis Square Funding IV	Trust Company of the West ("TCW")	31-Oct-07	252	

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Davis Square Funding V	Trust Company of the West ("TCW")	31-Oct-07	270	
Davis Square Funding VI	Trust Company of the West ("TCW")	31-Oct-07	240	
Diogenes CDO I	State Street Global Advisors	31-Oct-07	94	
Dunhill ABS CDO	Vanderbilt Capital Advisors LLC	31-Oct-07	192	
Fort Dearborn CDO I	Vanderbilt Capital Advisors LLC	31-Oct-07	98	The CDO Manager provided credit spreads
Fort Sheridan CDO	Vanderbilt Capital Advisors LLC	31-Oct-07	173	
	HBK Investments L.P.	31-Oct-07	88	For "Gesmtone 2004 1" which is not one of our Deals
	HBK Investments L.P.	31-Oct-07	62	For "Gesmtone 2005 2" which is not one of our Deals
Gemstone CDO III	HBK Investments L.P.	31-Oct-07	84	
Gemstone CDO IV	HBK Investments L.P.	31-Oct-07	88	
Glacier Funding CDO II	Terwin Money Management	31-Oct-07	168	
Glacier Funding CDO III	Terwin Money Management	31-Oct-07	140	
Huntington CDO	Western Asset Management Company (Wamco)	31-Oct-07	246	
Independence IV CDO	Declaration Management & Research LLC	31-Oct-07	108	
Independence V CDO	Declaration Management & Research LLC	31-Oct-07	210	
Independence VI CDO	Declaration Management & Research LLC	31-Oct-07	325	
Iona CDO I	AXA Investment Managers	31-Oct-07	137	
Ischus High Grade Funding I	Ischus Capital Management	31-Oct-07	220	
Jupiter High-Grade CDO	Harding Advisory LLC (former Maxim Advisory)	31-Oct-07	96	
Jupiter High-Grade CDO II	Harding Advisory LLC (former Maxim Advisory)	31-Oct-07	174	
Jupiter High-Grade CDO III	Harding Advisory LLC (former Maxim Advisory)	31-Oct-07	235	
Khaleej II CDO	ACA Capital Management	31-Oct-07	97	The CDO Manager provided credit spreads
Kleros Preferred Funding	Strategos (unit of Cohen and Company)	31-Oct-07	231	
Kleros Preferred Funding II	Strategos (unit of Cohen and Company)	31-Oct-07	193	
Lakeside CDO I	Vanderbilt Capital Advisors	31-Oct-07	86	
Lakeside CDO II	Vanderbilt Capital Advisors	31-Oct-07	150	
Lexington Capital Funding	Harding Advisory LLC	31-Oct-07	125	
Margate Funding I	Delaware Investment Advisors	31-Oct-07	305	
Mercury CDO II	Fund America Management Corp	31-Oct-07	153	
Mercury CDO 2004-1	Fund America Management Corp	31-Oct-07	123	
MKP CBO III	MKP Capital Management	31-Oct-07	107	
MKP CBO IV	MKP Capital Management	31-Oct-07	165	
MKP CBO V	MKP Capital Management	31-Oct-07	220	
Monroe Harbor CDO 2005-1	Vanderbilt Capital Advisors LLC	31-Oct-07	236	
Montauk Point CDO	Fortis Investment Management/Fortis Management USA	31-Oct-07	115	
Neptune CDO II	Fund America Management Corp	31-Oct-07	121	
Neptune CDO 2004-1	Fund America Management Corp	31-Oct-07	136	
Northlake CDO I	Deerfield Capital Management	31-Oct-07	213	
Orchid Structured Finance CDO II	ST Asset Management Pte	31-Oct-07	100	
Orient Point CDO	Fortis Investment Management/Fortis Management USA	31-Oct-07	189	
Palisades CDO	Western Asset Management Company (Wamco)	31-Oct-07	242	

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Putnam 2002-1 A-1LT	Putnam	05-Nov-07	236
Reservoir Funding	MBIA Capital Management Corp	31-Oct-07	110
River North CDO	Deerfield Capital Management	31-Oct-07	207
Sierra Madre Funding	Western Asset Management Company (Wamco)	31-Oct-07	268
South Coast Funding VII	Trust Company of the West ("TCW")	31-Oct-07	287
South Coast Funding IV	Trust Company of the West ("TCW")	31-Oct-07	245
Straits Global ABS CDO I	Declaration Management & Research LLC	31-Oct-07	172
Streeterville ABS CDO	Vanderbilt Capital Advisors	31-Oct-07	148
Summer Street 2005-HG1	GE Asset Managers	31-Oct-07	196
Summit RMBS CDO I	Summit Investment Partners	31-Oct-07	177
TAB5 2005-4	Tricadia CDO Management	31-Oct-07	105
Triax 2006-2	ICP	31-Oct-07	82
Vertical ABS CDO 2005-1	Vertical Capital LLC	31-Oct-07	154
West Coast 2006-1X A1V	Trust Company of the West ("TCW")	31-Oct-07	303
Witherspoon CDO Funding	Wachovia	31-Oct-07	172
Total			12,438

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Appendix 5

CUSIP	Sources, Value Dates and Prices	Difference
81375WAG1	Declaration for value 30-Sep-07=20.8; Aladdin for value 30-Sep-07=83.19	62.39
36242DSB0	Declaration for value 30-Sep-07=94.68; Aladdin for value 30-Sep-07=42.31	52.37
35729PJK7	Declaration for value 30-Sep-07=85.69; Aladdin for value 30-Sep-07=41.18	44.51
202648AC5	Strategos for value 05-Oct-07=95.02; TCW for value 30-Sep-07=59.67	35.35
70069FLP0	Declaration for value 30-Sep-07=72.87; Aladdin for value 30-Sep-07=45.12	27.75
35729PJ00	Deutsche Bank for value 03-Oct-07=69.98; Aladdin for value 30-Sep-07=43.64	26.34
70069FFR3	Declaration for value 30-Sep-07=73.31; Aladdin for value 30-Sep-07=47.22	26.09
80556BAG0	AXA IM for value 04-Oct-07=100.71; TCW for value 30-Sep-07=74.64	26.07
70069FGJ0	Deutsche Bank for value 03-Oct-07=70.95; Declaration for value 30-Sep-07=54.3; Aladdin for value 30-Sep-07=45.34	25.61
45254NQD2	Deutsche Bank for value 03-Oct-07=95.37; TCW for value 30-Sep-07=70	25.37
59020URAS	Deutsche Bank for value 03-Oct-07=74.85; Aladdin for value 30-Sep-07=50.8	24.05
00764MFK8	Deutsche Bank for value 03-Oct-07=41.82; Declaration for value 30-Sep-07=64.97	23.15
144531CR9	Declaration for value 30-Sep-07=72.79; Aladdin for value 30-Sep-07=51.58	21.21
004421NL3	Deutsche Bank for value 03-Oct-07=49.43; Declaration for value 30-Sep-07=69.93	20.50
17307GQV3	Deutsche Bank for value 03-Oct-07=57.74; Declaration for value 30-Sep-07=78.24	20.50
70069FFQ5	Deutsche Bank for value 03-Oct-07=68.34; Aladdin for value 30-Sep-07=50.24	18.10
17307GSR0	Deutsche Bank for value 03-Oct-07=75.04; Aladdin for value 30-Sep-07=57.4	17.64
84751PGA1	Declaration for value 30-Sep-07=31.04; Aladdin for value 30-Sep-07=48.33	17.29
12497LAC2	Strategos for value 05-Oct-07=98.5; TCW for value 30-Sep-07=85	13.50
04542BMF6	Deutsche Bank for value 03-Oct-07=88.96; Declaration for value 30-Sep-07=75.81	13.15
00764ME52	Deutsche Bank for value 03-Oct-07=60.76; Declaration for value 30-Sep-07=73.01	12.25
04542BMG4	Declaration for value 30-Sep-07=74.16; Aladdin for value 30-Sep-07=86.28	12.12
07383FB80	Declaration for value 30-Sep-07=85.28; Aladdin for value 30-Sep-07=96.91	11.63
61744CQT6	Declaration for value 30-Sep-07=68.06; Aladdin for value 30-Sep-07=79.67	11.61
81375WDS2	Strategos for value 05-Oct-07=80; AXA IM for value 04-Oct-07=90.14; TCW for value 30-Sep-07=80	10.14
76112BGC8	Strategos for value 05-Oct-07=94.94; TCW for value 30-Sep-07=85	9.94
37638RAE2	Strategos for value 05-Oct-07=76.25; TCW for value 30-Sep-07=84.97	9.72
35729PGV6	Strategos for value 05-Oct-07=96.61; TCW for value 30-Sep-07=87	9.61
20047GAL1	Declaration for value 30-Sep-07=87.44; Aladdin for value 30-Sep-07=96.79	9.35
81375WCX2	Deutsche Bank for value 03-Oct-07=71.71; Aladdin for value 30-Sep-07=80.84	9.13
03072SLX1	Babson Capital for value 05-Oct-07=81.67; TCW for value 30-Sep-07=89.31	7.64
126673SV5	Strategos for value 05-Oct-07=87.28; TCW for value 30-Sep-07=94	6.72
576433VD5	Deutsche Bank for value 03-Oct-07=93.9; Declaration for value 30-Sep-07=87.25	6.65
144531BH2	Deutsche Bank for value 03-Oct-07=78.63; Aladdin for value 30-Sep-07=84.84	6.21
84751PER6	Strategos for value 05-Oct-07=89.94; Aladdin for value 30-Sep-07=95.99	6.05

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073879PW2	Deutsche Bank for value 03-Oct-07=77.2; Declaration for value 30-Sep-07=71.27	5.93
76110WL53	Declaration for value 30-Sep-07=78.92; Aladdin for value 30-Sep-07=73.19	5.73
32027NQR5	Deutsche Bank for value 03-Oct-07=68.01; Declaration for value 30-Sep-07=73.55	5.54
040104BZ3	Declaration for value 30-Sep-07=92.31; TCW for value 30-Sep-07=87	5.31
004421DC4	Babson Capital for value 05-Oct-07=91.18; TCW for value 30-Sep-07=85.88	5.30
61744CNY8	Deutsche Bank for value 03-Oct-07=78.61; Aladdin for value 30-Sep-07=83.66	5.05
86358EME3	Strategos for value 05-Oct-07=70; TCW for value 30-Sep-07=75	5.00
144531CM0	Strategos for value 05-Oct-07=86.28; Aladdin for value 30-Sep-07=91.28	5.00
040104FF3	Declaration for value 30-Sep-07=67.62; Aladdin for value 30-Sep-07=71.75	4.13
32027NMY4	Strategos for value 05-Oct-07=97.12; TCW for value 30-Sep-07=93	4.12
126671T22	Babson Capital for value 05-Oct-07=44.79; Declaration for value 30-Sep-07=48.45	3.96
00764MEB9	Declaration for value 30-Sep-07=85.92; Aladdin for value 30-Sep-07=82.19	3.73
437084LUB	Deutsche Bank for value 03-Oct-07=68.01; Declaration for value 30-Sep-07=71.72	3.71
84751PFV6	Strategos for value 05-Oct-07=95.06; Aladdin for value 30-Sep-07=91.78	3.28
126671S98	Babson Capital for value 05-Oct-07=71.67; Declaration for value 30-Sep-07=74.93	3.26
126673BH4	AXA IM for value 04-Oct-07=83.19; TCW for value 30-Sep-07=80	3.19
64352VFE6	AXA IM for value 04-Oct-07=91.15; TCW for value 30-Sep-07=88.11	3.04
07386HSU6	Declaration for value 30-Sep-07=80.02; Aladdin for value 30-Sep-07=82.82	2.80
59020UPR0	Strategos for value 05-Oct-07=96.16; TCW for value 30-Sep-07=93.48	2.68
32027NRJ2	Deutsche Bank for value 03-Oct-07=79.37; Declaration for value 30-Sep-07=76.75	2.62
73316PDB3	Strategos for value 05-Oct-07=82.6; Aladdin for value 30-Sep-07=80	2.60
5899297M4	Babson Capital for value 05-Oct-07=85.79; Declaration for value 30-Sep-07=83.28	2.51
040104HN4	Strategos for value 05-Oct-07=89.05; TCW for value 30-Sep-07=86.67	2.38
64352VDM0	Babson Capital for value 05-Oct-07=85.78; TCW for value 30-Sep-07=88	2.22
64352VDL2	AXA IM for value 04-Oct-07=93.82; TCW for value 30-Sep-07=92.22	1.60
12489WLE2	Strategos for value 05-Oct-07=92.53; TCW for value 30-Sep-07=90.97; Aladdin for value 30-Sep-07=90.97	1.56
61744CRJ7	Declaration for value 30-Sep-07=77.83; Aladdin for value 30-Sep-07=79.08	1.25
29445FCW6	Declaration for value 30-Sep-07=79.38; Aladdin for value 30-Sep-07=80.33	0.95
126673X20	Deutsche Bank for value 03-Oct-07=83.38; Aladdin for value 30-Sep-07=82.54	0.84
76110VPJ1	Babson Capital for value 05-Oct-07=76.47; Declaration for value 30-Sep-07=77.18	0.71
59020UML6	AXA IM for value 04-Oct-07=86.81; TCW for value 30-Sep-07=87.48	0.67
152314NJ5	Deutsche Bank for value 03-Oct-07=86.94; Aladdin for value 30-Sep-07=86.36	0.58
59020UZV0	Babson Capital for value 05-Oct-07=84.69; Declaration for value 30-Sep-07=85.24	0.55
62388QAB0	AXA IM for value 04-Oct-07=99.72; TCW for value 30-Sep-07=99.27	0.55
126673Q70	Strategos for value 05-Oct-07=95.52; Aladdin for value 30-Sep-07=96	0.48
45254TNX8	Declaration for value 30-Sep-07=97.28; TCW for value 30-Sep-07=96.84	0.44
89707YACB	Strategos for value 05-Oct-07=97.05; Declaration for value 30-Sep-07=97.42	0.37
126673RL8	Strategos for value 05-Oct-07=96.32; TCW for value 30-Sep-07=96	0.32
22541QY63	Babson Capital for value 05-Oct-07=75.6; Declaration for value 30-Sep-07=75.35	0.25
46625MBB1	Babson Capital for value 05-Oct-07=93.95; Declaration for value 30-Sep-07=93.77	0.18
70069FDA2	Strategos for value 05-Oct-07=89.53; Babson Capital for value 05-Oct-07=89.7	0.17

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76110VSM1	Babson Capital for value 05-Oct-07=62.6; Declaration for value 30-Sep-07=62.71	0.11
152314HT0	Babson Capital for value 05-Oct-07=58.12; Declaration for value 30-Sep-07=58.02	0.10
65535VTY4	Babson Capital for value 05-Oct-07=7.3; Declaration for value 30-Sep-07=7.38	0.08
74951PCE6	Babson Capital for value 05-Oct-07=100.31; Declaration for value 30-Sep-07=100.33	0.02
74951PBW7	Babson Capital for value 05-Oct-07=102.31; Declaration for value 30-Sep-07=102.33	0.02

Appendix 6

This information is confidential and may not be distributed to third parties without the consent of MKP Capital Management LLC. The prices listed below have been received from dealers. Such information has not been independently verified or analyzed in any way by MKP, and MKP makes no representation or warranty that the prices are accurate or that trades could be executed at such prices. The actual prices at which trades occur may vary substantially from the prices listed below. On cash securities where multiple prices have been received, the highest and lowest prices are listed. On CDS securities, the price reflected is that of the swap counterparty which may vary from dealer to dealer even though the underlying security may be the same. This information is provided solely to give investors a very general idea of the market value of the portfolio and does not affect the measurement of any tests or limitations required under the indenture.

As of 10/31/07

		302,196,000			169,745,362		
Cusip	Ticker	Synthetic (Yes/No)	Original Face	Factor	Current Face	Min Price	Max Price
04541GFN7	ABSHE 2003-HE5 M2	No	5,000,000	0.4783931	2,391,965	90.000	90.000
04541GHQ8	ABSHE 2004-HE1 M5	No	3,000,000	0.2169293	650,788	60.000	60.000
04541GJG8	ABSHE 2004-HE2 M5B	No	4,150,000	0.2842072	1,179,460	50.000	50.000
004421CR2	ACE 2003-NC1 M2	No	4,000,000	0.9511945	3,804,778	50.000	75.000
004427BR0	ACE 2003-OP1 M5	No	1,000,000	0.2988012	298,801	60.000	65.000
004427BS8	ACE 2003-OP1 M6	No	1,000,000	0.3176596	317,660	14.099	35.000
040104AD3	ARSI 2003-W1 M2	No	3,000,000	1.0000000	3,000,000	80.000	97.201
040104EQ0	ARSI 2003-W10 M5	No	1,000,000	0.3179687	317,969	14.665	50.000
040104BK6	ARSI 2003-W3 M5	No	3,000,000	0.3400408	1,020,122	16.377	43.422
09788RAD1	BHLT 2003-1 M2	No	3,000,000	0.4563012	1,368,904	55.000	95.000
07384YLV6	BSABS 2003-3 M2	No	4,000,000	0.4930796	1,972,318	75.000	91.625
07384YKH8	BSABS 2003-AC4 M1	No	4,500,000	0.2505003	1,127,251	88.000	89.017
07384YME3	BSABS 2003-AC5 M1	No	4,000,000	0.3145433	1,258,173	88.000	89.104
07384YPF7	BSABS 2003-HE1 M5	No	1,349,000	0.6005590	810,154	60.000	60.000
07384MA36	BSARM 2003-8 B2	No	2,000,000	0.5867369	1,173,474	94.482	96.656
12489WHJ6	CBASS 2003-CB6 M5	No	1,000,000	0.3494921	349,492	42.442	60.000
12497LAE8	CBCL 9A D	No	1,500,000	0.5714286	857,143	35.000	70.000
12506YBR9	CDCMC 2003-HE3 B1	No	4,276,000	0.2570927	1,099,328	10.000	18.642
161546GP5	CFAB 2003-5 1B	No	3,000,000	0.8013656	2,404,097	28.835	94.704
172973FK0	CMSI 2002-12 1A5	No	4,000,000	0.0101537	40,615	99.625	99.625
22541QSP8	CSFB 2003-C4 H	No	4,000,000	1.0000000	4,000,000	83.578	87.690
12669EV29	CWHL 2003-4B 2A3	No	6,000,000	0.6261840	3,757,104	95.672	96.774
126671V37	CWL 2003-SC1 M5	No	1,296,000	0.1628485	211,052	46.318	89.400
251510AY9	DBALT 2003-2XS M1	No	3,876,000	0.5081574	1,969,618	70.000	97.922
32027NDW8	FFML 2003-FF4 M3	No	3,000,000	0.1596249	478,875	25.000	45.000
32027NFH9	FFML 2003-FF5 M5	No	2,000,000	0.1641857	328,371	15.000	20.000
32027NFW6	FFML 2004-FFA M4	No	1,000,000	1.0000000	1,000,000	45.000	90.000
35729PBQ2	FHLT 2003-A M5	No	4,000,000	0.1413302	565,321	50.000	50.000
35729PCE8	FHLT 2003-B M5	No	1,000,000	0.1928448	192,845	16.734	60.000
35729PCF5	FHLT 2003-B M6	No	2,000,000	0.2050563	410,113	13.241	25.000
35729PCP3	FHLT 2004-A B2	No	1,300,000	0.1188071	154,449	35.000	45.000
35729PPJ3	FHLT 2006-1 M7	No	3,155,000	1.0000000	3,155,000	8.000	16.000
31394LN32	FHR 2701 A	No	4,000,000	0.3303280	1,321,312	93.419	94.176
31735OAD8	FINA 2003-1 M2	No	3,900,000	0.4788830	1,867,644	80.000	80.000
396789EC9	GCCFC 2003-C1 H	No	4,000,000	1.0000000	4,000,000	84.938	91.226
396789EZ8	GCCFC 2003-C2 H	No	4,000,000	1.0000000	4,000,000	83.891	87.484
36159GAG2	GEBL 2003-2A C	No	1,000,000	0.5565647	556,565	85.000	95.383
361849B35	GMACC 2003-C3 H	No	4,000,000	1.0000000	4,000,000	83.805	94.388
36228FLB0	GSAMP 2002-HE2 B1	No	4,000,000	0.1613840	645,536	25.000	70.000
36228FZP4	GSAMP 2004-FM1 B2	No	2,365,000	0.2013408	476,171	35.000	50.000
36228CRT2	GSMS 2003-FL6A J	No	2,000,000	1.0000000	2,000,000	99.500	99.500
36228CRU9	GSMS 2003-FL6A K	No	1,500,000	1.0000000	1,500,000	99.500	99.500
22541QY71	HEAT 2003-8 B2	No	1,000,000	0.2071455	207,146	45.000	50.000
22541QH21	HEMT 2003-6 B1	No	3,000,000	1.0000000	3,000,000	90.000	90.000
22541Q3J9	HEMT 2003-7 B	No	1,500,000	0.6746349	1,011,952	80.000	80.000
22541Q3J9	HEMT 2003-7 B	No	2,500,000	0.6746349	1,686,587	80.000	80.000
22541Q5X6	HEMT 2004-1 B	No	1,750,000	0.9755280	1,707,174	70.000	70.000
41161PCS0	HVMLT 2003-3 B2	No	1,411,000	0.4019636	567,171	83.734	83.734
464126CE9	IRWHE 2003-1 B1	No	4,000,000	0.5341682	2,136,673	88.000	88.000
464187AP8	IRWHE 2003-A B	No	2,500,000	0.1543933	385,983	70.000	90.000
464187BB8	IRWHE 2003-C M2	No	5,079,000	0.9352665	4,750,219	85.000	95.000
464187BN2	IRWHE 2003-D B1	No	2,000,000	0.5694129	1,138,826	82.000	92.000
542514EN0	LBMLT 2003-4 M5A	No	3,000,000	0.2785422	835,627	14.147	50.000
542514FB5	LBMLT 2004-1 M8	No	4,000,000	0.2891848	1,156,739	23.165	60.000
542514RW6	LBMLT 2006-1 M9	No	4,000,000	1.0000000	4,000,000	5.000	5.000
52108HXA7	LBUBS 2003-C8 K	No	2,000,000	1.0000000	2,000,000	84.100	88.151
57643LCC8	MABS 2003-WMC2 M5	No	4,000,000	0.1538052	615,221	30.000	30.000
576434FV1	MALT 2003-5 30B2	No	5,000,000	0.9405573	4,702,787	89.780	89.780

Appendix 7

In order to calculate the Super Senior Value, we need calculate the expected sum of the discounted principal losses on the Super Senior Tranche using the BET model. The relationship between the two, expressed as a percentage of the Super Senior Size, is best described as follows, where the bond is a LIBOR + spread amortizing floater:

$$\begin{aligned}
 \text{Super Senior Value} &= \text{pv}(\text{principal repayments}) \\
 &+ \text{pv}(\text{LIBOR on outstanding principal}) \\
 &+ \text{pv}(\text{spread on outstanding principal}) \\
 &= \text{pv}(\text{principal repayments}) \\
 &+ \text{pv}(\text{losses}) \\
 &+ \text{pv}(\text{LIBOR on outstanding principal}) \\
 &- \text{pv}(\text{losses}) \\
 &+ \text{pv}(\text{spread on outstanding notional})
 \end{aligned}$$

The sum of the first 3 terms is equal to 100% because what is being valued corresponds to the flows of a LIBOR-flat amortizing floater which is not subject to defaults.

The next term is equal to DEL calculated by the BET model. The last term is equal to DESA calculated by the BET model. So:

$$\begin{aligned}
 \text{Super Senior Value} &= 100\% \\
 &- \text{DEL} \\
 &+ \text{DESA}
 \end{aligned}$$

provided that DESA is calculated using the bond spread rather than the spread of the CDS providing protection on the bond. Since the CDS contractual spread is lower than the bond LIBOR spread in all our Deals, it will be conservative to calculate the Super Senior Value using the CDS spread.

Finally, the Leakage is calculated as follows:

$$\text{Leakage} = \text{NAV} / \text{Super Senior Size} - \text{Super Senior Value}$$

Appendix 8

Deal	Prices as of 30-NOV-07	Prices as of 31-OCT-07
Abacus 2004-1	113	113
Abacus 2004-2	102	102
Abacus 2005-2	100	99
Abacus 2005-3	129	129
Abacus 2005-CB1A	81	81
Adirondack 2005-1	162	162
Adirondack 2005-2	114	114
Alexander Park CDO I	197	196
Altius I Funding	154	155
Altius II Funding	130	130
Ayresome CDO I	337	310
Belle Haven ABS CDO	240	242
Bernoulli High Grade CDO I	173	173
BFC Genesee CDO	125	125
Bluegrass ABS CDO II	146	146
Broderick CDO I LTD	160	157
Camber 3	162	160
Cascade Funding CDO I	92	90
Commodore CDO II	127	127
Commodore 2005-4A A1A	112	111
Coolidge Funding	121	122
Davis Square 2003-1	263	263
Davis Square Funding II	276	266
Davis Square Funding III	257	251
Davis Square Funding IV	254	243
Davis Square Funding V	270	262
Davis Square Funding VI	241	241
Diogenes CDO I	95	95
Duke Funding VI	189	189
Duke Funding VII	186	186
Duke Funding VIII CDO	286	283
Duke Funding HG 1	283	280
Dunhill ABS CDO	206	206
Fortius I Funding	108	108
Fort Dearborn CDO I	113	109
Fort Sheridan CDO	181	182
Gemstone CDO III	85	85
Gemstone CDO IV	106	106
Glacier Funding CDO II	168	169
Glacier Funding CDO III	141	141
G Street Finance	256	256
GStar 2002-2 - 2a7	47	48
Hout Bay 2006-1	151	151
Huntington CDO	246	244
Independence IV CDO	108	108
Independence V CDO	209	210
Independence VI CDO	326	325
Iona CDO I	165	164
Ischus High Grade Funding I	228	228
Ischus CDO II	139	139
Jupiter High-Grade CDO	109	109
Jupiter High-Grade CDO II	184	184
Jupiter High-Grade CDO III	255	255
Khaleej II CDO	105	103
Kleros Preferred Funding	230	230
Kleros Preferred Funding II	192	192
Laguna ABS CDO	339	322
Lakeside CDO I	93	93
Lakeside CDO II	163	162
Lexington Capital Funding	130	130
Long Hill 2006-1	230	228
Margate Funding I	301	299
Mercury CDO 2004-1	132	131

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Mercury CDO II	184	184
MKP CBO III	106	106
MKP CBO IV	165	165
MKP CBO V	218	218
Monroe Harbor CDO 2005-1	235	235
Montauk Point CDO	152	152
Neptune CDO 2004-1	155	155
Neptune CDO II	139	138
Northlake CDO I	215	212
Orchard Park	38	38
Orchid Structured Finance CDO	47	47
Orchid Structured Finance CDO II	138	138
Orient Point CDO	235	233
Palisades CDO	242	238
Pine Mountain CDO	138	139
Putnam Structured Product CDO 2001-1	160	159
Putnam 2002-1 A-1LT	249	242
Reservoir Funding	109	109
RFC CDO III	99	98
River North CDO	214	212
Saturn Ventures 2005-1	142	143
South Coast Funding IV	245	245
South Coast Funding V	289	289
South Coast Funding VII	286	286
South Coast Funding VIII	145	145
Sherwood Funding CDO	220	215
Sherwood Funding CDO II LTD	134	134
Sierra Madre Funding	267	259
Skybox CDO, LTD	155	155
Streeterville ABS CDO	148	148
Straits Global ABS CDO I	172	173
Start 2005-BA A1	116	116
Start 2005-C A1	112	112
Summit RMBS CDO I	174	174
Summer Street 2005-HG1	191	191
TABS 2005-4	114	114
Toro ABS CDO I	156	155
Triaxx Prime CDO 2006-1	78	78
Triax 2006-2	80	80
Verde CDO	149	147
Vertical ABS CDO 2005-1	154	154
West Coast 2006-1X A1V	270	268
Whately CDO I	274	273
Witherspoon CDO Funding	166	165
Total	18,598	18,457

Appendix 9

As of end of October, the average price for an Underlying Security belonging to the (Prime, 2005, Aa) triplet was 88.97. Note this is just the 2005 partition of the pricematrix to allow easier viewing:

	2005									
	2005 - Aaa	2005 - Aa	2005 - A	2005 - Baa	2005 - Ba	2005 - B	2005 - Caa	2005 - Ca	2005 - C	2005 - NR
Aircraft Lease				95.00						
Auto	0.10	99.58								
CDO - CMBS	97.81	112.73	96.32	89.18						95.00
CDO - Other	87.03	88.91	89.85	76.11	55.00					91.80
CDO OF ABS	73.00	78.18	50.00	25.00						
CDO OF ABS - HG	65.96	39.65	28.79	20.62						
CDO OF ABS - Mezz	63.51	31.57	33.74	18.53	12.29					46.10
CMBS	93.59	92.14	81.08	82.40	95.04					90.83
CMBS - Small Balance	94.12	95.28	87.66	70.85						70.31
CORP		0.10		99.00						98.00
CORP - REIT			94.92	94.00						
Credit Card	98.00	96.00	94.00	95.40						
Manufactured Housing	98.95		98.00	101.66						
Other	99.00	97.54	91.05	94.31	87.00					95.00
PRIME	94.20	88.97	75.11	63.61	37.68	5.68	6.40	5.00		92.51
RMBS/Construction			96.34							
Small Business Loans	95.00	92.99	92.91	60.00						94.00
Student Loan	95.19	92.32	77.11							90.00
SUBPRIME	93.45	87.21	73.11	58.38	40.69	22.14	9.75	23.48	19.52	69.48

Note that the blank cells correspond to triplets for which no price data was supplied by any of the CDO Managers. However, we have no Underlying Securities that needed to reference these triplets so this is not a issue for our valuations.

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Appendix 10

Deal	Pos ID	Original Collateral Call		Conference Call on 15-NOV-07		CDO Manager Prices & No Leakage			
		Super Senior Value	Collateral Call	NAV	Super Senior Value	Collateral Call	NAV	Super Senior Value	Collateral Call
		75.16%	3,023,249,778	72.32%	80.10%	2,307,844,142	81.07%	95.48%	428,598,350
Altius II Funding	706100	87.50%	98,033,598	77.00%	83.30%	146,473,728	86.21%	100.00%	-
Broderick CDO I LTD	721694	67.50%	98,444,885	68.90%	77.00%	65,629,923	81.76%	97.33%	-
Broderick CDO I LTD	721694	67.50%	134,684,821	68.90%	77.00%	89,789,881	81.76%	97.33%	-
Duke Funding VII	572344	70.00%	33,709,000	57.70%	75.20%	26,967,200	69.93%	100.00%	-
Dunhill ABS CDO	608790	75.00%	56,931,279	60.80%	85.00%	29,821,146	78.00%	100.00%	-
Huntington CDO	635569	80.00%	65,040,000	63.20%	85.60%	42,276,000	75.92%	100.00%	-
Independence V CDO	539161	67.50%	40,627,638	47.80%	73.90%	31,504,239	59.46%	100.00%	-
Ischus CDO II	678579	55.00%	87,637,500	53.70%	68.10%	59,636,250	74.57%	100.00%	-
Ischus CDO II	678579	55.00%	20,500,000	53.70%	68.10%	13,950,000	74.57%	100.00%	-
Jupiter High-Grade CDO III	680086	75.00%	263,234,025	71.60%	79.70%	204,319,743	77.79%	92.06%	49,345,409
Kleros Preferred Funding II	727404	82.50%	116,046,404	77.50%	84.20%	101,433,153	87.29%	100.00%	-
Lexington Capital Funding	702233	60.00%	68,382,639	50.80%	61.40%	65,723,314	54.76%	82.47%	25,702,808
Mercury CDO 2004-1	594511	90.00%	12,059,685	78.00%	94.70%	2,612,932	81.87%	100.00%	-
MKP CBO III	548643	93.75%	852,017	75.00%	100.00%	-	77.33%	100.00%	-
Orchid Structured Finance CDO II	642362	65.00%	32,269,441	58.00%	72.90%	24,045,938	72.12%	100.00%	-
Orient Point CDO	702234	60.00%	233,010,000	61.20%	66.00%	194,175,000	66.07%	76.65%	125,260,145
Orient Point CDO	702234	60.00%	233,910,000	61.20%	66.00%	194,925,000	66.07%	76.65%	125,743,962
Reservoir Funding	589920	80.00%	50,509,100	71.00%	90.00%	18,940,912	88.82%	100.00%	-
River North CDO	615400	70.00%	38,935,000	59.80%	76.20%	29,650,500	80.33%	100.00%	-
Saturn Ventures 2005-1	659462	80.00%	31,477,914	60.60%	83.50%	24,592,121	74.40%	100.00%	-
Sherwood Funding CDO II LTD	721695	60.00%	116,010,000	52.80%	65.30%	98,930,750	74.92%	100.00%	-
South Coast Funding VII	655101	65.00%	212,066,789	59.60%	73.60%	153,235,357	70.48%	100.00%	-
South Coast Funding VIII	734255	55.00%	137,393,044	49.10%	58.80%	124,659,054	69.16%	100.00%	-
Triax 2006-2	892353	92.50%	52,494,750	93.90%	95.00%	14,998,500	94.63%	100.00%	-
Triax 2006-2	892353	92.50%	52,494,750	93.90%	95.00%	14,998,500	94.63%	100.00%	-
West Coast 2006-1X A1V	820905	67.50%	338,565,750	69.10%	73.50%	267,288,750	80.68%	91.68%	51,275,171
West Coast 2006-1X A1V	820905	62.50%	397,929,750	69.10%	73.50%	267,266,250	80.68%	91.68%	51,270,855

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Appendix 11

Deal	Pos ID	Trade Date	Initial Notional	CUSIP	Series	Class	Issue Size	%
Abacus 2004-1	659460	26-May-05	1,760,000,000	N/A	N/A	N/A	1,760,000,000	100.00
Abacus 2004-2	659461	26-May-05	730,000,000	N/A	N/A	N/A	730,000,000	100.00
Abacus 2005-2	699460	07-Oct-05	1,000,000,000	N/A	N/A	N/A	1,000,000,000	100.00
Abacus 2005-3	666404	07-Jul-05	1,200,000,000	N/A	N/A	N/A	1,200,000,000	100.00
Abacus 2005-CB1A	717970	10-Nov-05	270,000,000	N/A	N/A	N/A	480,000,000	56.25
Altus II Funding	706100	10-Nov-05	1,277,900,000	02149WAA5	2005-2	A-1	1,313,000,000	97.33
Broderick CDO I LTD	721694	13-Dec-05	250,000	112021AA8	2005-1	A-1V	250,000	100.00
Broderick CDO I LTD	721694	13-Dec-05	354,500,000	112021AB6	2005-1	A-1NVA	354,750,000	99.93
Broderick CDO I LTD	721694	13-Dec-05	485,000,000	112021AC4	2005-1	A-1NVB	485,000,000	100.00
Coolidge Funding	662634	22-Jun-05	274,700,000	216444AA7	2005-1	A-1	274,700,000	100.00
Duke Funding VII	572344	12-Aug-04	129,650,000	264403AJ5	2004-7	1A2	129,900,000	99.81
Duke Funding VII	572344	12-Aug-04	100,000	264403AK2	2004-7	1A2v	100,000	100.00
Dunhill ABS CDO	608790	16-Dec-04	327,000,000	26545QAQ2	2004-1	A1NV	327,250,000	99.92
Dunhill ABS CDO	608790	16-Dec-04	250,000	26545AA7	2004-1	A1VA	250,000	100.00
Fortius I Funding	751667	08-Mar-06	390,000,000	34958CAA2	2006-1A	A-1	390,000,000	100.00
Glacier Funding CDO II	586780	12-Oct-04	324,800,000	37638VAG8	2004-2	A1NV	324,900,000	99.97
Glacier Funding CDO II	586780	12-Oct-04	100,000	37638VAA1	2004-2	A1V	100,000	100.00
Hout Bay 2006-1	783610	19-May-06	825,000,000	442451AA8	2006-1	A-1	1,275,000,000	64.71
Huntington CDO	635569	29-Mar-05	406,500,000	446279AA9	2005-1	A-1A	461,750,000	88.03
Huntington CDO	635569	29-Mar-05	250,000	446279AC5	2005-1	A-1B	250,000	100.00
Independence V CDO	539161	25-Feb-04	200,000,000	45343PAA3	N/A	A1	396,000,000	50.51
Ischus CDO II	678579	27-Jul-05	213,750,000	46426RAA7	2005-2	A-1A	214,000,000	99.88
Ischus CDO II	678579	27-Jul-05	50,000,000	46426RAB5	2005-2	A-1B	50,000,000	100.00
Jupiter High-Grade CDO III	680086	10-Aug-05	1,299,500,000	48206AAG3	2005-3	A-1NV	1,299,750,000	99.98
Jupiter High-Grade CDO III	680086	10-Aug-05	250,000	48206AA6	2005-3	A-1VA	250,000	100.00
Kleros Preferred Funding II	727404	10-Jan-06	869,500,000	USG5296JAB91	2006-1	A-1NV	869,750,000	99.97
Kleros Preferred Funding II	727404	10-Jan-06	250,000	USG5296JAA19	2006-1	A-1V	250,000	100.00
Lexington Capital Funding	702233	25-Oct-05	199,500,000	52902TAC0	2005-1	A-1ANV	199,750,000	99.87
Lexington Capital Funding	702233	25-Oct-05	250,000	52902TAE6	2005-1	A-1B	250,000	100.00
Mercury CDO 2004-1	594511	03-Nov-04	100,000	58936RAA5	2004-1	A1VA	100,000	100.00
Mercury CDO 2004-1	594511	03-Nov-04	299,800,000	58936RAB3	2004-1	A1NV	299,900,000	99.97
MKP CBO III	548643	07-Apr-04	140,000,000	55311TAA2	N/A	A1	272,000,000	51.47
Orchid Structured Finance CDO II	642362	19-Apr-05	113,750,000	68571UAA7	2005-2	A-1	204,000,000	55.76
Orient Point CDO	702234	25-Oct-05	649,750,000	68619MAQ4	2005-1	A-1NV8	650,000,000	99.96
Orient Point CDO	702234	25-Oct-05	250,000	68619MAJ0	2005-1	A-1V	250,000	100.00
Orient Point CDO	702234	25-Oct-05	647,250,000	68619MAL5	2005-1	A-1NVA	647,250,000	100.00

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Reservoir Funding	589920	12-Oct-04	374,800,000	76112CAB4	2004-1	A1NV	374,900,000	99.97
Reservoir Funding	589920	12-Oct-04	100,000	76112CAA6	2004-1	A1V	100,000	100.00
River North CDO	615400	19-Jan-05	149,750,000	768277AA3	2005-1	A1	193,500,000	77.39
Saturn Ventures 2005-1	659462	09-Jun-05	267,750,000	80410RAA4	2005-1	A-1	268,000,000	99.91
Sherwood Funding CDO II LTD	721695	15-Dec-05	322,250,000	82437XAA6	2005-2	A-1	322,500,000	99.92
South Coast Funding VII	655101	25-May-05	773,500,000	83743YAS2	N/A	A-1ANV	773,750,000	99.97
South Coast Funding VII	655101	25-May-05	250,000	83743YAB9	N/A	A-1B	250,000	100.00
South Coast Funding VIII	734255	25-Jan-06	344,500,000	83743LAC5	N/A	A-1NV	344,750,000	99.93
South Coast Funding VIII	734255	25-Jan-06	250,000	83743LAA9	N/A	A-1V	250,000	100.00
Triax 2006-2	892353	14-Dec-06	1,499,850,000	896008AB5	2006-2A	A-1B1	1,499,950,000	99.99
Triax 2006-2	892353	14-Dec-06	1,499,850,000	896008AC3	2006-2A	A-1B2	1,499,950,000	99.99
West Coast 2006-1X A1V	820905	26-Jul-06	1,187,950,000	952186AA2	2006-1A	A-1A	1,187,950,000	100.00
West Coast 2006-1X A1V	820905	26-Jul-06	1,187,850,000	952186AB0	2006-1A	A-1B	1,187,950,000	99.99

