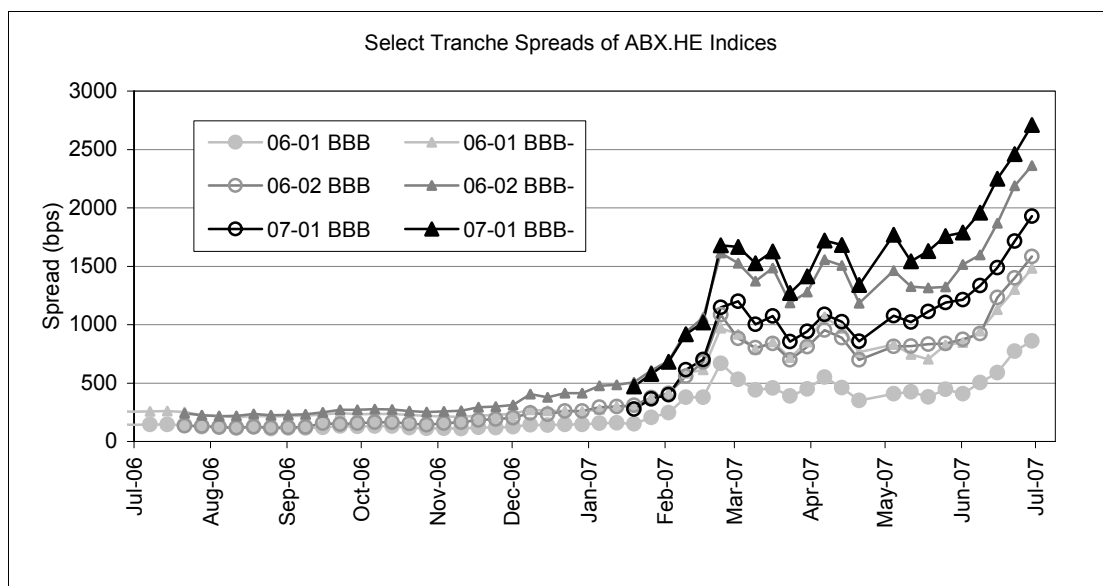


CDO/CDS Update 7/2/07

I. Commentary

With all of the negative headlines surrounding the home price appreciation and mortgage related downgrades, it is no surprise that mortgage securities continue to face price erosion. However, the fact that CDOs rely heavily on sub-prime mortgage loans as underlying securities has concentrated a heavy dose of real estate risk into these securities, especially at the thinner lower-rated tranches. Bear Stearns, the second largest underwriter of mortgage loans, has not helped liquidity either. It was reported in mid-June that the company would liquidate nearly \$4 billion of mortgage bonds. Days later, the company offered \$3.2 billion to bail out one of its hedge funds, which was later lowered to \$1.6 billion after selling some securities. This morning Bear announced a delay to investors in reporting its losses from two hedge funds that were backed by mortgage securities. While just two weeks ago the ABX BBB- 2007-01 index tip-toed around a \$60 pricing point, the possibility of a \$40 handle before the end of the month is the next milestone. In the medium-term, the health of the CDO market will depend on any further big name sell-offs, ABX volatility and clues to what will happen when the critical reset dates of the ARM loans outstanding are reached.



Note: Spread data based on 35% CPR assumption.

Source: Markit, Informa Global Markets, and Nomura Securities International

With the exception of the ABX 2006-01 series, all of the single-A to triple-B-minus indices of the ABX traded down to record low prices as of Friday's close. Looking at the ABX 2007-01 series, the triple-B-minus index broke through the \$60 plateau on June 20 and ended the month at \$54.54 or a spread equivalent of 2,708 bps. This represents a price decline of \$3.41 week-over-week or spread widening of almost 249 bps. Compared to levels at the beginning of the month, the 2007-01 triple-B-minus index is down \$12.08 or wider by 919 bps. Results are similar for the 2007-01 triple-B series which traded down to a low of \$62.43 or 1,929 bps by the end of the week. Over the past week, triple-B spreads are 215 bps wider and 717 bps wider from the start of June. Single-A spreads widened 213 bps week-over-week to 632 bps or \$84.27. While the single-A to triple-B-minus tranches are all experiencing tremendous price deterioration, spreads on the double and triple-A indices tightened 12.6 and 8.4 bps, respectively, from last week. During the month of June, double-A

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and triple-A spreads widened only 10.4 and 0.7 bps, respectively. This may signal investor confidence in the senior tranches or the increased use of the higher-rated tranches to help fund short positions in the lower-rated ABX tranches.

According to data from Markit, TABX prices also reflect the bleakest sentiment regarding the mortgage sector to date. With the exception of the triple-B-minus 0-5% piece, all other TABX indices reached new record lows by the end of last week. The most senior, and most traded, 40-100% piece of the triple-B-minus series fell to a price of \$69.08. At the start of June, the same index traded at a price of \$84.38, representing a price decline of \$15.30 or 18.1%. Over the past week the index is down \$5.49. Interestingly, the triple-B-minus 0-5% piece fell to \$24.87, down just \$0.02 week-over-week and is down only \$1.99 from the price at the start of the month. This may imply that the equity pieces of the triple-B-minus TABX may have already been priced for the "worst case" scenario and it has just taken some time for this view to reach the more senior tranches.

CMBX spreads continue to widen last week, but not at the same severity that ABX spreads have experienced. The CMBX 3 double-B index widened 19 bps from last week to 561.7 bps while the triple-B minus index moved out 28.5 bps to 338.2 bps. The triple-B index also cheapened with spread widening of 27.1 bps to 234.8 bps during the week. Single- and double-A spreads fared better with widening of just 7.1 and 2.4 bps, respectively. Triple-A CMBX 3 spreads were unchanged for the week. It was a similar trend when examining the past month's results as double-B to triple-B spreads moved wider from 72 to 78 bps while single-A to triple-A spreads were flat to 12.9 bps wider.

Throughout all of the spread widening in structured finance, CDX spreads have also leaked wider on inflation concerns, the maturation of the credit cycle, and LBO risk. CDX IG 8 widened almost 2 bps to 41.8 bps during the week and is now 7.7 bps wider from the start of June. The CDX crossover and high-yield indices were wider by 19 and 37 bps week-over-week to 195 and 341 bps, respectively. On the month, these two indices were wider by 52 and 86 bps, respectively. In Europe, the iTraxx series 8 index widened 1.4 bps to 24.6 bps during the week, which is 4.4 bps wider from the start of the month. The European crossover index was 14.2 bps wider on the week to 227 bps, reflecting widening of 38 bps during June.

S&P's Jumbo MBS trends report released. S&P recently released its jumbo MBS trends report for 2007Q1.¹ S&P observes that the 2006 vintage of jumbo loans displays a markedly higher level of serious delinquencies at this stage of its lifecycle compared to earlier vintages. After 12 months of performance, the 90+ delinquency rate for 2006 prime jumbo mortgages is 0.70%, higher than all other vintages since 2000 after 12 months of seasoning. This may foreshadow disappointing future performance for the vintage. However, cumulative losses on the 2006 vintage have not yet emerged, a possible indication that the volume of early payment defaults witnessed in sub-prime may not spill over into the prime mortgage sector.

The report also notes certain interesting characteristics of the 2007Q1 jumbo loan vintage. Significantly, 33% of the loans include simultaneous second lien mortgage loans. That is notably higher than the 26% incidence of simultaneous seconds that S&P reports for the 2006 vintage. Additionally, the average loan balance in 2007Q1 was a whopping \$592K. That represents a big jump from the \$526K reported for 2006, even though the limit for Fannie/Freddie conforming loan balances remains the same at \$417K. Third, interest-only loans compose a growing share of the jumbo sector, at 16.6% for 2007Q1, compared to just 11.4% for 2006. Fourth, only 35% of new jumbo loans include documentation of the borrowers' incomes for 24 months or longer. That level is on par with the proportion of loans with 24+ months of income documentation for the last several years (since 2004). However, back in 2001, the proportion of jumbo loans with 24+ months of income documentation was more than twice as large, at 73%.

¹ Yioupis, L., M. Solar, A. Samuels, and K. Johnson, *U.S Prime Jumbo Delinquencies Are Up For 2006 Vintage, But Overall Losses Remain Negligible* (26 June 2007).

The average credit enhancement levels for fixed-rate mortgages in 2007Q1 were as follows: 3.84% for AAA, 1.04% for BBB, and 0.23% for B. The average credit enhancement levels for regular ARMs in 2007Q1 were as follows: 3.67% for AAA, 0.96% for BBB, and 0.23% for B. The average credit enhancement levels for hybrid ARMS in 2007Q1 were as follows: 4.21% for AAA, 1.13% for BBB, and 0.26% for B. According to the report, Chase Mortgage Finance Trust executed a deal with an amazing 1.10% credit support for the AAA-rated tranche.

Alt-A Loans continue to deteriorate quickly. In a recent release from S&P, the rating agency noted the alarming credit deterioration in alt-A MBS, especially the 2006 vintage.² Using data from LoanPerformance, 2006 vintage Alt-A loans have a 90+ delinquency rate (including REO, foreclosure, and bankruptcy) of 4.21% after 14 months of seasoning, excluding pay option ARMs. Comparatively, the 2005 and 2004 vintages, after 14 months of seasoning, demonstrated 90+ delinquency rates of only 1.59% and 0.91%, respectively. In addition to the quick deterioration in 2006 Alt-A MBS credit, the release also notes that there has been a strong migration from 60+ delinquencies to 90+ delinquencies, indicating that borrowers with early delinquencies are finding it difficult to catch up on their payments. Not surprisingly, S&P observes a connection between the weak performance and the high prevalence of stated income loans with high LTVs. That combination of risk factors has turned out to be a particularly toxic one for residential mortgage loans.

LCDX launched, spreads widening. After some delay, on May 22 CDS IndexCo partnered with Markit launched a new synthetic index that references 100 North American first lien loans entitled LCDX Series 8 (labeled Series 8 to match the CDX indices). Depending on liquidity, the index could be a useful tool for CLOs looking to hedge their positions. All of the deliverable obligations for LCDX must be syndicated secured loans that are listed on the Syndicated Secured List (SSL). The SSL is maintained and updated by Markit and used for single name loan CDS. The applicable credit events under LCDX are failure to pay and bankruptcy. In order to increase liquidity, LCDX was created with only a 5-year maturity, while other maturities are expected to follow at a later date. The 14 banks that make a market for LCDX quote the index in price terms. Roll dates will be semi annually with the first roll scheduled to occur on October 3, 2007.

Reported notional trading volume on first day of activity was \$11 billion, according to Markit. LCDX's initial coupon of 120 bps tightened to 103.9 bps by the end of the first trading day, as the index closed at a price of \$100.653. According to Markit, LCDX experienced \$25 billion in trade volume for the month of May. Similar to the flood of synthetic indices available, liquidity will be key to the relevance and success of the index going forward. LCDX ended May at a price of \$100.575 or a spread of 105.7 bps. By June 15 the index began to display some weakness as its price fell to \$100.139 or a spread equivalent of 116.2 bps. Since then the weakening trend has continued and been even more pronounced. As of June 29, 2007, LCDX closed at a price of \$97.73 or a spread of 180.7 bps. This represents widening of roughly 35 bps week-over-week and 75 bps of widening from its first trading day in June.

CDO/CLOs may face pressure from SEC. In a response to a question at a House committee hearing, SEC Chairman Cox stated that the SEC's enforcement division had about a dozen investigations involving CDOs and CLOs. According to the *Wall Street Journal*, the same division has also opened a preliminary investigation into certain issues surrounding Bear Stearns' hedge funds. Earlier this year, the SEC's enforcement division set up a sub-prime workgroup to investigate areas from securitization to problematic issuers. A particular area for concern of the workgroup has been the process of CDO pricing. Since there is no active market for CDOs and dealer quotes are just quotes, not necessarily what the security would actually sell for, pricing is typically based off of manager estimates. Chairman Cox stated after the hearing that the SEC is in general looking into how hedge funds value their assets. While we do not foresee any immediate changes to the valuation of CDO assets, it will be a topic to watch closely as the investigation furthers.

² Goldenberg, M. and J. Watson, *Performance of U.S. RMBS Alt-A Loans Continues to Deteriorate* (26 June 2007).

II. Recent CDO Pricing

<u>Pricing Date</u>	<u>Issuer/ Street Name</u>	<u>Deal Size</u>	<u>Asset Type</u>	<u>Lead</u>	<u>Collateral Manager</u>
<u>Class</u>	<u>Credit Ratings (M/S/F)</u>	<u>Tranche Size</u>	<u>C/E</u>	<u>Pricing</u>	<u>WAL</u>
7-Jun	Slate CDO 2007-1**	\$601.50	CRE CDO	UBS	Petra Capital Mgmt
A1	Aaa/AAA/AAA	402.0	33.2%	-	-
A1J	Aaa/AAA/AAA	67.5	21.9%	L+55	9.01
A2	Aa2/AA/AA	38.2	15.6%	L+70	9.01
A3	A2/A/A	27.8	11.0%	L+100	9.01
B1	Baa2/BBB/BBB	18.0	8.0%	L+250	9.01
B2	Baa3/BBB-/BBB-	13.5	5.7%	L+325	9.01
B3	NR/BBB-/BBB-	11.2	3.9%	L+325	9.01
C1	-/BB/BB	5.3	3.0%	L+325	9.01
PS	-	18.0	-	L+650	9.01
8-Jun	Kleros VIII	\$3,000.00	HG SF	SGCIB	Strategos
A1a	Aaa/AAA	2400.0	20.7%	Not Offered	6.91
A1b	Aaa/AAA	150.0	15.7%	Not Offered	7.16
A2	Aaa/AAA	180.0	9.7%	3mL+75	7.16
A3	Aaa/AAA	144.0	4.9%	3mL+110	7.16
X	Aaa/AAA	19.5	4.2%	Not Offered	3.63
B	Aa2/AA	52.5	2.5%	3mL+150	7.16
C	A2/A	26.5	1.6%	3mL+295	7.16
D	Baa2/BBB	32.0	0.5%	3mL+600	6.67
PS	-	16.0	-	-	-
8-Jun	Canaras Summit CLO I	\$300.00	Lev Loans	BNPP	Canaris Capital
A	Aaa/AAA	223.5	25.5%	Not Offered	9.2
B	Aa2/AA	18.0	19.5%	3m L +45	10.2
C	A2/A	17.0	13.8%	3m L +75	10.3
D	Baa2/BBB	10.0	10.5%	3m L +225	10.4
E	Ba2/BB	10.5	7.0%	3m L +425	10.5
Inc	-	21.0	-	-	-
8-Jun	Ballyrock ABS CDO 2007-1	\$517.00	RMBS/ABS	LEH	Ballyrock Inv Adv
A1A	Aaa/AAA	150.0	-	L+35	6.5
A1B	Aaa/AAA	150.0	-	L+75	6.5
S	Aaa/AAA	17.0	38.7%	L+35	2.1
A2	Aaa/AAA	56.3	27.8%	L+110	6.5
B	Aa2/AA	56.3	16.9%	L+250	6.5
C	A2/A	27.5	11.6%	L+650	6.5
D	Baa2/BBB	26.3	6.5%	L+900	6.1
PS	-	33.8	-	-	-
8-Jun	ACA ABS CDO 2007-2*	\$750.00	RMBS/ABS	UBS	ACA Mgmt
A1S	Aaa/AAA	375.0	50.0%	-	-
AM	Aaa/AAA	60.0	42.0%	3mL+ 75	3.9
A1J	Aaa/AAA	150.0	22.0%	3mL+145	4.1
A2	Aa2/AA	40.0	16.7%	3mL+225	4.3
A3	A2/A	40.0	11.3%	3mL+450	4.4
B1	Baa2/BBB	42.0	5.7%	3mL+750	4.5
B2	Baa3/BBB-	8.0	4.7%	3mL+850	4.7
PS	-	35.0	-	-	-
8-Jun	ICES 2007-1	\$1,000.00	EM CLO	CITG	Ice Canyon
A-1	Aaa/AAA	450.0	-	-	-
A-1R	Aaa/AAA	50.0	-	-	-
A-2	Aaa/AAA	184.0	34.1%	6mL+60	-
A-3	Aa2/AA	95.0	24.6%	6mL+85	-
B	A2/A	51.0	19.5%	6mL+170	-
C	Baa2/BBB	38.0	15.7%	6mL+300	-
D	Ba2/BB	40.0	11.7%	6mL+500	-
Equity	-	116.5	-	-	-

<u>Pricing Date</u>	<u>Issuer/ Street Name</u>	<u>Deal Size</u>	<u>Asset Type</u>	<u>Lead</u>	<u>Collateral Manager</u>
<u>Class</u>	<u>Credit Ratings (M/S/F)</u>	<u>Tranche Size</u>	<u>C/E</u>	<u>Pricing</u>	<u>WAL</u>
8-Jun	RREF 2007-1	\$500.00	CRE CDO	CS	Resource RE
A-1	Aaa/AAA	180.0	-	-	5.57
A-1R	Aaa/AAA	50.0	-	-	5.57
A2	Aaa/AAA	57.5	42.5%	L+46	5.98
B	Aa1/AA+	22.5	38.0%	L+80	6.00
C	Aa2/AA	22.5	33.5%	Sw+87.5	6.00
D	Aa3/AA-	11.3	31.3%	L+95	6.25
E	A1/A+	11.9	28.9%	L+115	7.12
F	A2/A	11.9	26.5%	L+130	7.17
G	A3/A-	11.3	24.3%	L+155	8.59
H	Baa1/BBB+	11.3	22.0%	L+230	8.82
J	Baa2/BBB	11.3	19.8%	L+295	8.89
K	Baa3/BBB-	10.0	17.8%	L+325	9.01
PS	-	88.8	-	*Retained*	-
8-Jun	Battalion CLO 2007-1	\$500.00	Sn Sec Loans	DB	Brigade Capital
A-1	Aaa/AAA	343.5	31.3%	L+24	8.8
B	Aa2/AA	31.5	25.0%	L+50	10.0
C-1	A2/A	27.5	19.5%	L+80	10.0
C-2	A2/A	5.0	18.5%	Fx 6.5615%	10.0
D	Baa2/BBB	27.5	13.0%	L+215	10.0
E	Ba2/BB	22.5	8.5%	L+425	10.0
Equity	-	42.5	-	-	-
8-Jun	Pine Mountain CDO III**	\$500.00	RMBS	DB	Smith Breeden
A-1	Aaa/AAA	230.0	-	-	6.1
A-2	Aaa/AAA	20.0	50.0%	L+65	6.3
A-3	Aaa/AAA	90.0	32.0%	L+70	6.3
A-4	Aaa/AAA	41.3	23.8%	L+90	6.3
B	Aa2/AA	45.0	14.8%	L+150	6.3
C	A2/A	22.5	10.3%	L+500	6.3
D	Baa2/BBB	25.0	5.3%	L+775	5.4
E	Ba1/BB+	3.8	4.5%	L+1200	6.3
SUB	-	22.5	-	-	-
8-Jun	ACA CLO 2007-1	\$350.00	Sn Sec Loans	GS	ACA Mgmt
A	Aaa/AAA	259.0	26.0%	Not Offered	8.5
B	Aa2/AA	19.3	20.5%	3mL+45	10.0
C	A2/A	15.8	16.0%	3mL+95	10.0
D	Baa2/BBB	14.9	11.8%	3mL+235	10.0
E	Ba2/BB	14.0	7.8%	3mL+475	10.0
Sub	-	27.1	-	-	-
11-Jun	Ischus Mezzanine CDO IV	\$507.00	MZ SF	CS	Ischus Capital
X	Aaa/AAA	17.5	-	L+28	3.1
SS Swap	Aaa/AAA	150.0	-	-	6.3
A-1	Aaa/AAA	100.0	47.2%	-	6.7
A-2	Aaa/AAA	80.0	31.5%	L+75	6.7
A-3	Aaa/AAA	50.0	21.6%	L+100	6.7
B	Aa2/AA	54.0	10.9%	L+175	6.7
C	A2/A	16.0	7.8%	L+400	6.7
D	Baa2/BBB	21.5	3.6%	L+650	6.1
EQ	-	18.0	3.6%	-	-
12-Jun	Churchill Financial Cayman Ltd.	\$1,250.00	MM Loans	Natixis	Churchill Fin
A-1	Aaa/AAA	200.0	-	3mL+30	6.10
A-2	Aaa/AAA	493.8	-	3mL+26	6.10
A-3	Aaa/AAA	112.5	35.5%	3mL+26	6.10
B	Aa2/AA	87.5	28.5%	3mL+52	7.84
C	A2/A	93.8	21.0%	3mL+125	8.50
D1	Baa2/BBB	65.0	15.8%	3mL+260	9.15
D2	Baa2/BBB	10.0	15.0%	Sw+260	9.15
E	Ba2/BB	62.5	10.0%	3mL+490	9.74
PS	-	125.0	-	Retained	-

<u>Pricing Date</u>	<u>Issuer/ Street Name</u>	<u>Deal Size</u>	<u>Asset Type</u>	<u>Lead</u>	<u>Collateral Manager</u>
<u>Class</u>	<u>Credit Ratings (M/S/F)</u>	<u>Tranche Size</u>	<u>C/E</u>	<u>Pricing</u>	<u>WAL</u>
14-Jun	PreTSL XXVI	\$1,009.30	TruPs	FTN	-
A-1	Aaa/AAA/AAA	530.3	47.5%	3mL+30	-
A-2	Aaa/AAA/AAA	140.3	33.6%	3mL+37	-
B-1	Aa2/NR /AA	59.9	27.6%	3mL+56	-
*B-2	Aa2/NR /AA	37.5	23.9%	Sw+56	-
C-1	A3/NR /A-	71.5	16.8%	3mL +85	-
*C-2	A3/NR /A-	39.5	12.9%	Sw+85	-
D	NR/NR /BBB	62.0	6.8%	3mL+170	-
Inc Nts	-	68.4	-	-	-
15-Jun	C-BASS CBO XIX, LTD.	\$500.00	MZ SF	BAS	C-Bass Mgmt
A-1	Aaa/AAA/AAA	292.0	41.6%	3ML+35	3.1
A-2	Aaa/AAA/AAA	100.0	21.6%	3ML+63	6.0
B	Aa2/AA/AA	42.0	13.2%	3ML+100	7.0
C	A2/A/A	23.0	8.6%	3ML+230	7.0
D	Baa2/BBB/BBB	10.0	6.6%	3ML+525	6.7
E/PS	-	33.0	-	Not Offered	-
15-Jun	Kinney Hill Credit Opportunities Fund	\$550.00	Mkt Val	MS	Ore Hill Partners
A Rev	Aaa/AAA	385.0	30.0%	3L+ 35	8.0
B	Aa2/AA	16.5	27.0%	3L+ 75	8.0
C	A2/A	19.3	23.5%	3L+175	8.0
D	Baa2/BBB	19.3	20.0%	3L+375	8.0
Equity	-	110.0	-	-	-
15-Jun	Merrill Lynch CLO 2007-1	\$413.00	MM CLO	ML	250 Capital
A1	Aaa/AAA	60.0	-	3mL+26	7.2
A2	Aaa/AAA	200.0	37.1%	3mL+26	7.2
B	Aa2/AA	38.0	27.9%	3mL+50	8.7
C	A2/A	30.0	20.7%	3mL+100	9.3
D	Baa2/BBB	21.0	15.6%	3mL+200	9.8
E	Ba2/BB	23.0	10.0%	3mL+425	10.5
P/S	-	41.3	-	-	-
15-Jun	Biltmore CDO 2007-1	\$1,000.00	HG SF	ML	ING Clarion
A1	Aaa/AAA	500.0	50.0%	1mL+20	4.5
A2	Aaa/AAA	350.0	15.0%	1mL+31.5	5.2
A3	Aaa/AAA	50.0	10.0%	3mL+65	5.3
A4	Aaa/AAA	55.0	4.5%	3mL+80	5.3
B	Aa2/AA	20.0	2.5%	3mL+100	5.3
C	Aa3/AA-	5.0	2.0%	3mL+125	5.3
D	A2/A	8.0	1.2%	3mL+300	5.3
E	Baa2/BBB	8.5	0.4%	3mL+650	5.1
P/S	-	3.5	-	-	-
15-Jun	Wicker Park CDO I*	\$1,000.00	-	GS	LBAM
A-1	Aaa/AAA	880.0	12.0%	N/A	7.2
A-2	Aaa/AAA	40.0	8.0%	L+50	7.2
B	Aa2/AA	15.0	6.5%	L+90	7.2
C	A2/A	21.5	4.4%	L+185	7.2
D-1	Baa2/NR	13.5	3.0%	L+280	7.2
D-2	Baa2/NR	5.0	2.5%	8.45% fixed	7.2
Sub	-	25.0	-	-	NA
15-Jun	White Marlin CDO 2007-1*	\$1,200.00	IG Corp	LEH	Sailfish Struc Inv
A	Aaa /AAA	1014.0	15.5%	3mL+8	7.25
B	Aaa /AAA	94.8	7.6%	3mL+75	7.25
C1	Aa2 /AA	8.0	6.9%	3mL+90	7.25
C2	Aa2 /AA	10.0	6.1%	Sw+90	7.25
D	A2 /A	18.0	4.6%	3mL+205	7.25
E	Baa2/-	24.0	2.6%	-	7.25
P/S	-	31.2	-	-	-

<u>Pricing Date</u>	<u>Issuer/ Street Name</u>	<u>Deal Size</u>	<u>Asset Type</u>	<u>Lead</u>	<u>Collateral Manager</u>
<u>Class</u>	<u>Credit Ratings (M/S/F)</u>	<u>Tranche Size</u>	<u>C/E</u>	<u>Pricing</u>	<u>WAL</u>
15-Jun	HG-COLL 2007-1	\$1,003.00	RMBS	BS	Ischus Capital
A-1LA	Aaa/AAA	830.0	17.2%	-	n/a
A-1LB	Aaa/AAA	95.0	7.8%	3mL+65	6.5
A-2L	Aa2/AA	37.0	4.1%	3mL+100	6.5
A-3L	A2/A	12.0	2.9%	3mL+150	6.2
B-1L	Baa2/BBB	14.0	1.5%	3mL+350	6.1
PS	-	15.0	-	-	-
18-Jun	CENT CDO 15 LTD	\$617.30	Loans	CITG	Riversource Alt Inv
A-1	Aaa/AAA	61.0	-	3mL+23	-
A-2a	Aaa/AAA	350.0	33.4%	3mL+22	-
A-2b	Aa1/AAA	39.0	27.1%	3mL+34	-
A-3	Aa2/AA	39.5	20.7%	3mL+42	-
B	A2/A	33.5	15.3%	3mL+72	-
C	Baa2/BBB	23.0	11.6%	3mL+225	-
D	Ba2/BB	19.0	8.5%	3mL+415	-
Inc Nts	-	52.3	-	-	-
18-Jun	Connecticut Valley CLO Funding IV*	\$414.50	CLOs	CITG	Babson Capital
A-1	Aaa/AAA	225.0	45.7%	L+40	-
A-2	Aaa/AAA	43.0	35.3%	L+56	-
A-3	Aa2/AA	50.0	23.3%	L+68	-
B	A2/A-	28.0	16.5%	L+168	-
C	Baa2/BBB-	29.5	9.4%	L+340	-
Inc	-	39.0	-	-	-
19-Jun	Race Point IV CLO	\$550.00	Loans	LEH	Sankaty Adv
A1A	Aaa/AAA	290.0	47.3%	L+20	9.1
A1B	Aaa/AAA	72.5	34.1%	L+32	9.3
A2	Aaa/AAA	50.0	25.0%	L+23	9.1
B	Aa2/AA	22.0	21.0%	L+40	9.3
C	A2/A	33.0	15.0%	L+75	9.3
D	Baa2/BBB	39.9	7.7%	L+200	9.3
PS	-	42.6	-	-	-
19-Jun	Beach Street 6*	\$552.00	Sn Sec Loans	CITG	(static)
S/Snr	Aaa	389.7	29.4%	Retained	-
A	Aaa	27.6	24.4%	3mL+ 40	-
B	Aa2	34.8	18.1%	3mL+ 60	-
C	A2	12.7	15.8%	3mL+ 100	-
D	Baa2	24.8	11.3%	3mL+ 205	-
E	Ba2	17.4	8.2%	3mL+ 425	-
P/S	Not Rtd	45.0	-	-	-
20-Jun	Sharps CDO II*	\$1,000.00	RMBS	DB	-
A1	Aaa/AAA	600.0	40.0%	-	4.1
A2	Aaa/AAA	100.0	30.0%	L+85	4.1
A3	Aaa/AAA	90.0	21.0%	L+175	4.1
B	Aa2/AA	55.0	15.5%	L+300	4.1
C	A2/A	55.0	10.0%	L+500	4.1
D1	Baa1/BBB+	33.0	6.7%	L+650	4.1
D2	Baa2/BBB	12.0	5.5%	L+850	4.1
D3	Baa3/BBB-	13.5	4.2%	L+1000	4.1
E	Ba1/BB+	13.0	2.9%	L+1200	4.1
Sub	-	28.5	-	-	-

<u>Pricing Date</u>	<u>Issuer/ Street Name</u>	<u>Deal Size</u>	<u>Asset Type</u>	<u>Lead</u>	<u>Collateral Manager</u>
<u>Class</u>	<u>Credit Ratings (M/S/F)</u>	<u>Tranche Size</u>	<u>C/E</u>	<u>Pricing</u>	<u>WAL</u>
20-Jun	Bernoulli High Grade CDO 2	\$1,500.00	HG SF	ML	Babcock & Brown
A1	Aaa /AAA	1300.0	13.3%	Not Offered	7.1
A2	Aaa /AAA	100.0	6.7%	3mL + 85	7.2
B	Aa2 /AA	41.0	3.9%	3mL +115	7.2
C	Aa3 /AA-	23.0	2.4%	3mL +135	7.2
D	A2 /A	4.0	2.1%	3mL +400	7.2
E	A3 /A-	3.0	1.9%	3mL +500	7.2
F	Baa2/BBB	10.5	1.2%	3mL +750	6.5
G	Baa3/BBB-	4.5	0.9%	3mL +850	6.5
P/S	Ba3 /NR	14.0	-	-	-
21-Jun	Kodiak CDO II	\$766.00	TruPs	JPM	Kodiak CDO
A-1	AAA/Aaa/AAA	338.0	55.9%	L+34	9.1
A-2	AAA/Aaa/AAA	53.0	49.0%	L+58	10.1
A-3	AAA/Aaa/AAA	80.0	38.5%	L+70	10.1
B-1	AA+/Aa1/AA+	81.0	27.9%	L+90	10.1
B-2*	AA+/Aa1/AA+	5.0	27.3%	-	10.1
C-1	AA-/IA-	38.0	22.3%	L+140	10.1
C-2*	AA-/IA-	2.0	22.1%	-	10.1
D	A/-/A	36.0	17.4%	L+180	10.1
E	BBB/-/BBB	35.0	12.8%	L+325	10.1
F	BB/-/BB	43.0	7.2%	L+525	10.1
Sub Nts	-	55.0	-	-	-
21-Jun	Start IV CLO* (Balance Sheet)	\$1,500.00	Loans	Std Char	(static)
A	AAA/Aaa/AAA	82.5	1450.0%	3mL+26	-
B	AA+/Aa1/AAA	30.0	1250.0%	3mL+33	-
C	A+/A1/AA-	26.3	1075.0%	3mL+63	-
D	BBB+/Baa1/BBB+	26.3	900.0%	3mL+155	-
E	BB+/Ba1/BB+	22.5	750.0%	3mL+360	-
F	-	18.8	125.0%	3mL+1400	-
1st Loss	-	18.8	-	-	-
22-Jun	Stanfield McLaren	\$543.50	Sn Sec Loans	BS	Stanfield Capital
X	Aaa/AAA	7.5	-	-	3.8
A-1L	Aaa/AAA	333.0	-	-	7.4
A-1LV	Aaa/AAA	60.0	26.3%	-	7.4
A-2L	Aa2/AA	40.0	19.0%	3mL+45	8.2
A-3L	A2/A	28.0	13.8%	3mL+75	8.2
B-1L	Baa2/BB	22.0	9.8%	3mL+240	8.2
B-2L	Ba2/BB	20.0	6.1%	3mL+450	8.2
Inc	-	33.0	-	-	-
22-Jun	BlackRock Snr Inc Series V	\$500.00	Lev Loans	MS	BlackRock
A-1	Aaa/AAA	75.0	-	3mL+27	8.20
A-2a	Aaa/AAA	180.0	-	3mL+22	8.00
A-2b	Aaa/AAA	20.0	45.0%	3mL+27	10.00
A-3	Aaa/AAA	110.0	23.0%	3mL+23	8.20
B	Aa2/AA	17.0	19.6%	3mL+42	10.40
C	A2/A	30.0	13.6%	3mL+75	10.80
D	Baa3/BBB-	28.0	8.0%	3mL+225	11.50
PS	-	40.0	-	-	-
22-Jun	Grand Avenue CDO III	\$850.00	RMBS/ABS	WS	TCW AM
A-1	Aaa/AAA	680.0	20.0%	-	7.02
A-2	Aaa/AAA	69.7	11.8%	L+65	7.07
A-3	Aaa/AAA	41.7	6.9%	L+83	7.07
B	Aa2/AA	28.9	3.5%	L+145	7.07
C-1	A2/A	13.6	1.9%	L+350	7.07
C-2	A3/A-	2.6	1.6%	L+450	5.80
D	Baa2/BBB	4.6	1.1%	L+500	5.80
PS	-	9.0	-	-	-

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<u>Class</u>	<u>Credit Ratings (M/S/F)</u>	<u>Tranche Size</u>	<u>C/E</u>	<u>Pricing</u>	<u>WAL</u>
22-Jun	TABERNA PREF FUNDING IX	\$750.00	TruPs	BS	Taberna Capital
A-1LA	Aaa/AAA/AAA	375.0	51.5%	3mL+ 34	10.1
A-1LB	Aaa/AAA/AAA	119.0	35.6%	3mL+ 65	10.1
A-2LA	Aa2/AA+/AA+	25.0	32.3%	3mL+ 90	10.1
A-2LB	Aa3/AA/AA	55.0	24.9%	3mL+125	10.1
A-3LA	A2/A/A	21.0	22.1%	3mL+170	10.1
A-3LB	-/A-/A-	24.0	18.9%	3mL+190	10.1
B-1L	-/BBB/BBB	46.0	12.8%	3mL+325	10.1
B-2L	-/BB/BB	45.0	6.8%	-	10.1
PS	-	51.0	-	-	-
22-Jun	Libertas Preferred Funding V	\$618.00	MZ SF	Cohen/Fortis	Strategos Capital
A1	Aaa/AAA	360.0	41.7%	-	5.9
A2	Aaa/AAA	30.0	36.9%	3mL+80	6.0
A3	Aaa/AAA	66.0	26.2%	3mL+175	6.0
X	Aaa/AAA	20.0	23.0%	3mL+60	3.7
B	Aa2/AA	40.5	16.4%	3mL+300	6.0
C	A2/A	31.5	11.3%	3mL+600	6.0
D	Baa2/BBB	23.0	7.6%	3mL+900	5.7
E	Baa3/BBB-	22.0	4.0%	3mL+1100	5.7
PS	-	25.0	-	-	-
22-Jun	St. James River CLO	\$413.00	MM Loans	Fortis	Jeffries Capital
A-T	Aaa/AAA	255.5	38.1%	3mL+23	9.0
A-R	Aaa/AAA	50.0	26.0%	3mL+23	9.0
B	Aa2/AA	27.5	19.4%	3mL+50	9.2
C	A2/A	15.5	15.6%	3mL+80	9.2
D	Baa2/BBB	15.5	11.9%	3mL+230	9.2
E	Ba2/BB	16.0	8.0%	3mL+430	-
Sub	-	33.0	-	-	-
26-Jun	Newcastle CRE CDO X	\$1,400.00	CRE	BAS	Newcastle Inv
S	AAA/Aaa	24.2	-	Sw+45	2.5
A1	AAA/Aaa	980.0	30.0%	-	6.4
A2	AAA/Aaa	140.0	20.0%	-	8.7
A3	AAA/Aaa	99.8	12.9%	1mL+60	8.9
B	AA/Aa3	28.0	10.9%	1mL+125	9.2
C	A/A3	40.3	8.0%	1mL+175	9.4
D	-	42.0	5.0%	-	-
E	-	13.5	4.0%	-	-
F	-	14.0	3.0%	-	-
PS	-	42.5	-	-	-
28-Jun	Octagon Inv Partners XI	\$500.00	Sn Sec Loans	CITG	Octagon Credit
A-1	Aaa/AAA	344.5	33.5%	L+23	-
A-1R	Aaa/AAA	37.5	26.0%	L+26	-
A-2	Aa2/AA	22.0	21.6%	L+40	-
B	A2/A	31.0	15.4%	L+75	-
C	Baa2/BBB	19.0	11.6%	L+200	-
D	Ba2/BB	16.0	8.4%	L+410	-
PS	-	42.0	8.4%	-	-
28-Jun	Mt Wilson CLO II	\$400.00	Sn Sec Loans	LEH	WAMCO
A1	Aaa/AAA	238.0	40.5%	3mL+23	9.6
A2	Aaa/AAA	60.0	25.5%	3mL+34	9.9
B	Aa2/AA	18.0	21.0%	3mL+45	9.9
C	A2/A	24.0	15.0%	3mL+100	9.9
D	Baa2/BBB	32.0	7.0%	3mL+275	9.9
SUB	-	28.0	-	-	-

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<u>Class</u>	<u>Credit Ratings (M/S/F)</u>	<u>Tranche Size</u>	<u>C/E</u>	<u>Pricing</u>	<u>WAL</u>
28-Jun	Franklin -6	\$384.50	Sn Sec Loans	RBSGC	Franklin Advisors
A	Aaa/AAA	272.0	29.3%	L+23	8.1
B	Aa2/AA	38.0	19.4%	L+45	9.7
C	A2/A	18.0	14.7%	L+85	10.0
D	Baa2/BBB	15.0	10.8%	L+225	10.1
E	Ba2/BB	11.5	7.8%	L+465	10.3
Sub Nts	-	30.0	-	-	-
28-Jun	Bonifacius Ltd	\$2,505.00	HG SF	CITG	Collineo AM
A-1	P-1/A-1+	1850.0	26.1%	-	-
A-2	Aaa/AAA	400.0	10.2%	3mL+75	7.2
A-3	Aaa/AAA	115.0	5.6%	3mL+100	7.2
A-4	Aa1/AA+	55.0	3.4%	3mL+150	7.2
B	Aa3/AA-	33.0	2.1%	3mL+200	7.2
C	A2/A	15.0	1.5%	3mL+300	7.2
D	Baa2/BBB	16.0	0.8%	3mL+450	7.2
PS	-	21.0	-	-	-
29-Jun	T2 Income Fund CLO I	\$309.10	MM Loans	ML	TS Advisor
A	Aaa/AAA	176.3	43.0%	3mL+29	7.2
B	Aa2/AA	30.0	33.3%	3mL+60	8.5
C	A2/A	22.0	26.1%	3mL+145	8.8
D	Baa2/BBB	9.0	23.2%	3mL+275	9.0
E	Ba2/BB	12.0	19.3%	3mL+500	9.2
Inc Nts	-	59.8	-	-	N/A
28-Jun	Ansonia CDO 2007-1**	\$491.00	CRE	ML	ING Clarion
A1	Aaa/AAA	350.00	28.7%	-	-
A2	Aaa/AAA	30.00	22.6%	1mL+47	9.7
B	Aa1/AA+	12.25	20.1%	1mL+60	10.3
C	Aa2/AA	18.75	16.3%	1mL+65	11.2
D	Aa3/AA-	6.25	15.0%	1mL+75	11.7
E	A1/A+	10.63	12.9%	1mL+100	11.7
F	A2/A	8.75	11.1%	1mL+115	11.8
G	A3/A-	8.13	9.4%	1mL+135	12.0
H	Baa3/BBB+	5.63	8.3%	-	-
J	Baa2/BBB	5.63	7.1%	-	-
K	Baa1/BBB-	5.63	6.0%	-	-
L-PS	-	29.38	-	-	-

Note: * C/E levels are calculated using given information and may not account for pari-passu tranches.
Source: IFR, MCM, Bloomberg

III. CDO Pipeline

Deal Name	Size (\$mm)	Asset	Lead	Deal Name	Size (\$mm)	Asset	Lead
ABACUS 07-18	\$1,000	CRE	GS	Hout Bay III	\$500	ABS	GS
ABACUS 07-AC1	\$2,000	CDO	GS	HY Star CBO	\$300	CBO	DB
ACAS CRE CDO	\$1,170	CRE	WS/BAS	Hyperion Brook	\$716	SMBS	CS
Adstrea SHG 07-1	\$2,000	-	ABN	JFIN CLO 07 Ltd	\$407	CLO	WS
Airlie CLO 07-1	\$400	CLO	JPM	Kilts CDO 07-1	\$1,000	ABS	RBSGC
Alesco 16	\$509	TruPs	CB/ Vining	Lakeview CDO*	-	-	LEH
Archstone Synth II	\$125	CDO	GS	Landgrove*	-	CDO	GS
Ashfield CDO	\$500	CDO^2	ML	LCM VII	\$470	CLO	BAS
Aurelius	\$400	SF	WS	Lime Street CLO	\$400	CF CLO	UBS
Azalea 07-1	\$300	RMBS	CS	Lion Square	\$800	CDO^2	Cal
Baker Street III	\$400	CLO	UBS	Loan Star 06-1	\$400	CLO	DBSI
Bayshore Synth 07-1*	\$750	CDO	WS	LRI Beaufort Enhcd*	-	CDO	DB
BlueSierra CSO I*	-	SF	CITG	Madison Prk VI	\$513	CLO	ML
Botticelli	-	CDO	Fortis/ CITG	Magnolia 07*	\$263	CMBS	CS
Brevan Howard CDO-1*	-	CDO	CITG	Maple Hill II*	-	Corp	HSBC
Brushfiled CDO I	\$1,000	HG ABS	BS	McCormack	\$750	ABS	Bear
Bryn Mawr CLO II	\$400	CLO	BAS	Momentum Cap Fd	\$400	CLO	ML
Caldecott CDO 2	\$460	MZ SF	ML	Moorgate CLO III	\$500	CLO	DB
Callidus Debt CLO VI	\$400	CLO	CITG	Nordic Valley 07-1	\$1,000	MZ ABS	BAS
Centre Square II	\$400	CDO^2	ML	NorthStar RE Oppty	\$250	-	MS
Cheyne Capital	-	-	GS	Ocean Trails II	\$350	CLO	CS
Cheyne Finance SIV	\$8,000	SIV	MS	OHP CLO I	\$300	CLO	-
CIFC Funding -3	\$614	CDO	JPM	Olympus*	-	CLO	MS
CLX 07-1	\$1,000	CLO	GS	Pangaea 07-1	\$400	CLO	CITG
Cookson 07-20	-	CRE	CITG	PIMCO Newport Waves*	-	CDO	BS
Cornerstone CLO	\$750	CLO	JPM	Pinnacle Park CDO I	\$1,500	HG CDO	CITG
Corrib CLO 07-1	\$400	CLO	-	Potomac 07-1*	-	-	WS
CRE InLET	-	CMBX	WS	Primoris*	-	CDO	DB
Dalton CDO	\$400	CDO^2	DB	Primus CLO II	\$400	CLO	BAS
Del Mar CLO II	\$400	CLO	GS	Pythagoras	\$308	CDO^2/ TruPs	Cohen
DFR MM CLO	\$405	CF CLO	WS	RFC CDO V	\$501	ABS CDO	WS
Diogenes III	\$850	ABS	DB	Seneca Capital	\$300	CLO	GS
Donati CDO Ltd	\$500	ABS	JPM	Soleil	\$3,300	MV CLO	Cal
Eaton Vance XI	\$400	CDO	JPM	Sound Beach CLO	\$500	CLO	MS
Elizabeth St CDO Fd	-	-	MS	Stanton Vintage 2	\$600	CDO^2	CS
Fahrenheit 07-3	\$500	CDO^2	UBS	Stockton	\$1,000	MZ ABS	Fortis
G Square 07-1	\$1,700	ABS	Cal	Stoney Lane II	\$500	CDO	JPM
Gale Force 4	\$450	CLO	WS	Stratford CLO	\$700	CLO	Cal
Galena CDO II*	-	-	JPM	Symphony CLO IV	\$413	CLO	BAS
GEM IX	\$500	EM CDO	CITG	Trapeza XIII	\$774	TruPS	JPM
GoldenTree CLO IV	\$700	CLO	DB	US Capital VI	\$611	TruPS	ML
GSAM CLO	\$400	CLO	GS	Valleriite CDO I*	\$1,500	CDO	ML
Halcyon LS/SU CLO	\$500	CLO	DB	Vertical Millbrook*	-	CRE	Bear
Hanway CDO	\$1,000	CDO^2	WS	Waterfront CLO	\$300	CLO	CS
HIMCO Wolcott	-	IG Corp	CITG	Zing X*	\$604	CDO^2	CITG

* denotes synthetic; ** denotes hybrid deals.

Source: IFR, MCM, Bloomberg

IV. Spreads

Index Constituent	29-Jun	Last week	Moody's Rating	S&P's Rating	5Y CDS Index	29-Jun	Last week	Change
AIG	13	11	Aa2	NR	CDX.NA.IG 8	41.80	39.82	+1.98
Alcoa	40	39	A2 /*-	BBB+ /*-	CDX.NA.IG HVOL 8	103.90	99.04	+4.86
Altria Group	27	27	Baa1	BBB	CDX.NA.XO 8	195.33	176.25	+19.08
Boeing	8	7	A2	A+	CDX.NA.HY 8	340.56	303.79	+36.77
CIT Group	42	42	A2	A	CDX.EM 7	115.44	102.82	+12.62
Deere & Co	16	15	A2	A	iTraxx Europe 7	24.59	23.16	+1.43
Dow Chemical	22	22	A3	A-	iTraxx Europe HVOL 7	46.04	43.34	+2.70
Fannie Mae	9	9	Aaa	AAA	iTraxx Europe XO 7	227.30	213.06	+14.24
First Data Corp	383	354	A2 /*-	A	iTraxx CJ Japan 7	19.29	16.57	+2.72
Ford Motor Credit	302	278	Caa1	CCC+	iTraxx Asia ex-Japan 7	46.71	39.42	+7.29
GE Capital	17	15	Aaa	AAA	iTraxx Australia 7	27.63	26.58	+1.05
GMAC	184	157	Ba1	BB+				
IBM	14	13	A1	A+	CDX IG 7 Widest	29-Jun		
McDonalds	15	14	A2	A	1st Data Corp	383		
Residential Capital	213	183	Baa3	BBB-	ALLTEL Corp	298		
Time Warner	23	23	Baa2	BBB+	Residential Cap LLC	213		
Tyson Foods	61	62	Ba2	BB+	EXPEDIA INC	210		
Viacom	48	49	Baa3	BBB	Pulte Homes Inc	157		
Walt Disney	14	13	A2	A- /*+	CDX IG 7 Tightest	29-Jun		
AKZO Nobel NV	24	24	A3	A-	Fed Home Ln Mtg Corp	8		
AXA	12	10	A2	A+	Fed Natl Mtg Assn	9		
Brit Telecom PLC	36	33	Baa1	BBB+	Wal Mart Stores Inc	10		
British Airways	74	67	Ba2	BB+	Wells Fargo & Co	11		
Cadbury Schweppes PLC	40	38	Baa2 /*	BBB /*+	Wyeth	11		
Carrefour	23	23	A2	A	iTraxx Europe Widest	29-Jun		
DaimlerChrysler AG	30	25	Baa1	BBB /*+	ALLIANCE BOOTS PLC	215		
Deutsche Telekom AG	26	25	A3	A-	ALTADIS SA	82		
France Telecom	23	21	A3	A-	Glencore Intl AG	76		
Koninklijke Ahold NV	67	59	Ba1 /*+	BB+	Valeo	68		
Lafarge	32	29	Baa2	BBB	SAFEWAY LTD	65		
METRO AG	26	26	Baa2	BBB	iTraxx Europe Tightest	29-Jun		
Renault	26	20	Baa1	BBB+	Assicurazioni Generali S p A	7		
Suez	13	12	A2 /*+	A- /*+	ELECTRICITE DE FRANCE	8		
Telecom Italia SpA	42	40	Baa2	BBB+	GAZ DE FRANCE	8		
Telenor ASA	23	22	A2	BBB+	BNP Paribas	8		
Volkswagen AG	19	16	A3	A-	Aviva plc	8		

Single-name CDS spreads are on a "XR" basis (without restructuring) for North America.
Source: Markit and Bloomberg

ABX.HE Index (as of June 29, 2007)					
	\$ Price	Spread* (bps)	1-week change (bps)	1-month change (bps)	Coupon (bps)
ABX.HE.AAA.07-1	99.49	21.2	-8.4	+0.7	9
ABX.HE.AA.07-1	99.13	41.5	-12.6	+10.4	15
ABX.HE.A.07-1	84.27	632.4	+213.0	+372.5	64
ABX.HE.BBB.07-1	62.43	1929.0	+214.5	+716.5	224
ABX.HE.BBB-.07-1	54.54	2708.6	+248.7	+919.0	389
CMBX.NA.3 Index (as of June 29, 2007)					
	Spread (bps)	1-week change (bps)	1-month change (bps)	Coupon (bps)	
CMBX.NA.AAA.3	7.0	Unch	+0.2	8	
CMBX.NA.AA.3	30.9	+2.4	+4.9	27	
CMBX.NA.A.3	67.0	+7.1	+12.9	62	
CMBX.NA.BBB.3	234.8	+27.1	+73.3	200	
CMBX.NA.BBB-.3	338.2	+28.5	+78.0	320	
CMBX.NA.BB.3	561.7	+19.0	+72.1	500	

Note: * assuming 35% CPR,
Source: Markit, Informa Global Markets and Nomura Securities International

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