

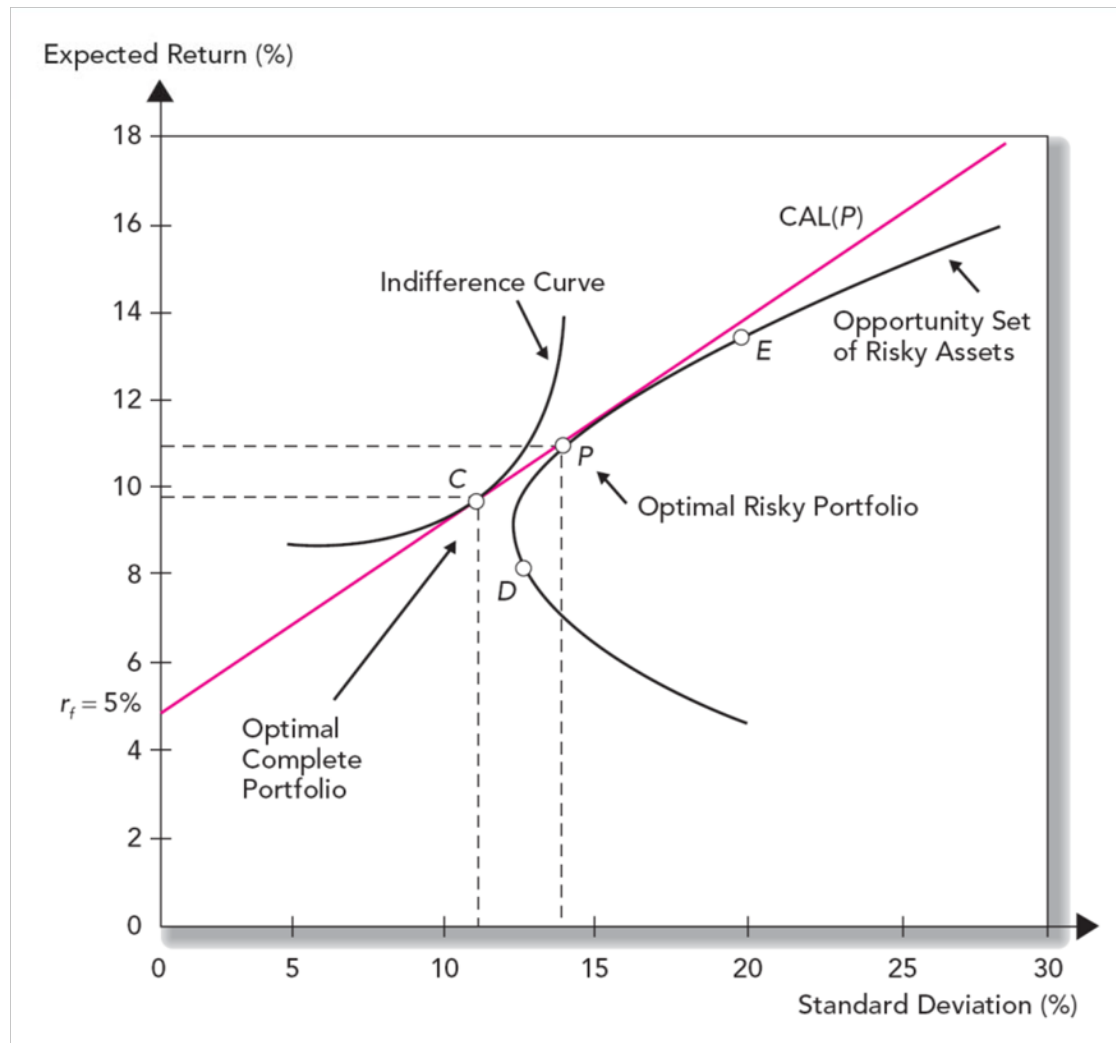
Structuring for Leverage: CPDOs, SIVs, and ARSs

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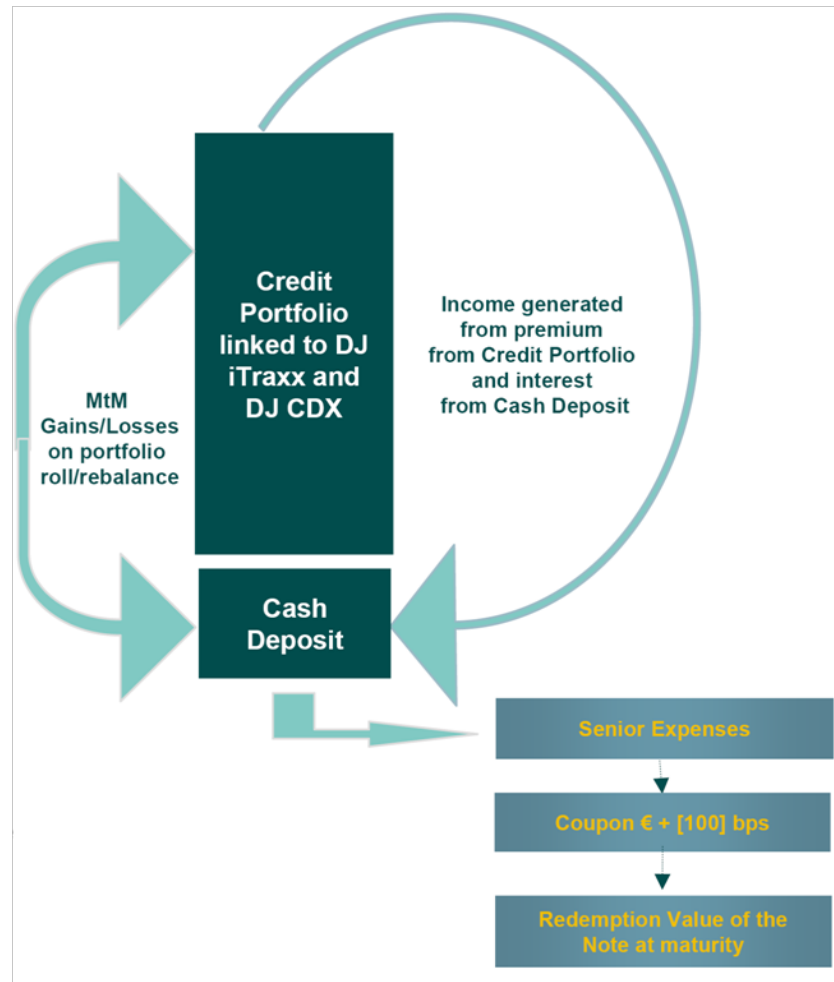
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Figure 1: Determining the Investor's Optimal Portfolio



Source: Bodie Kane and Marcus, *Investments*, Irwin/McGraw-Hill, 2007.

Figure 1.5: Basic CPDO Structure



Source: ABN AMRO Surf 100 –AAA/Aaa CPDO Sales Deck, 2006.

Figure 3: Basic SIV Structure

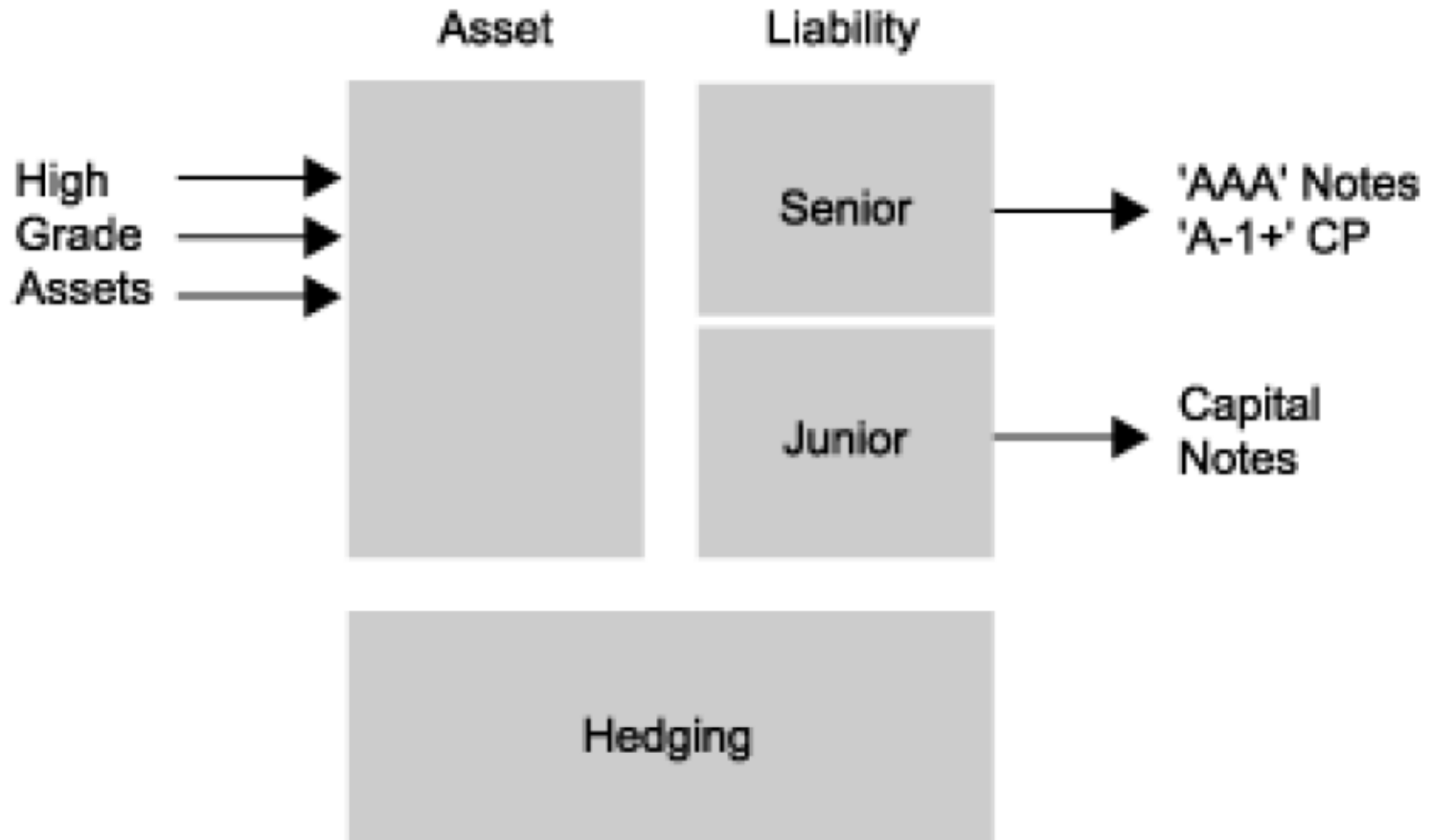
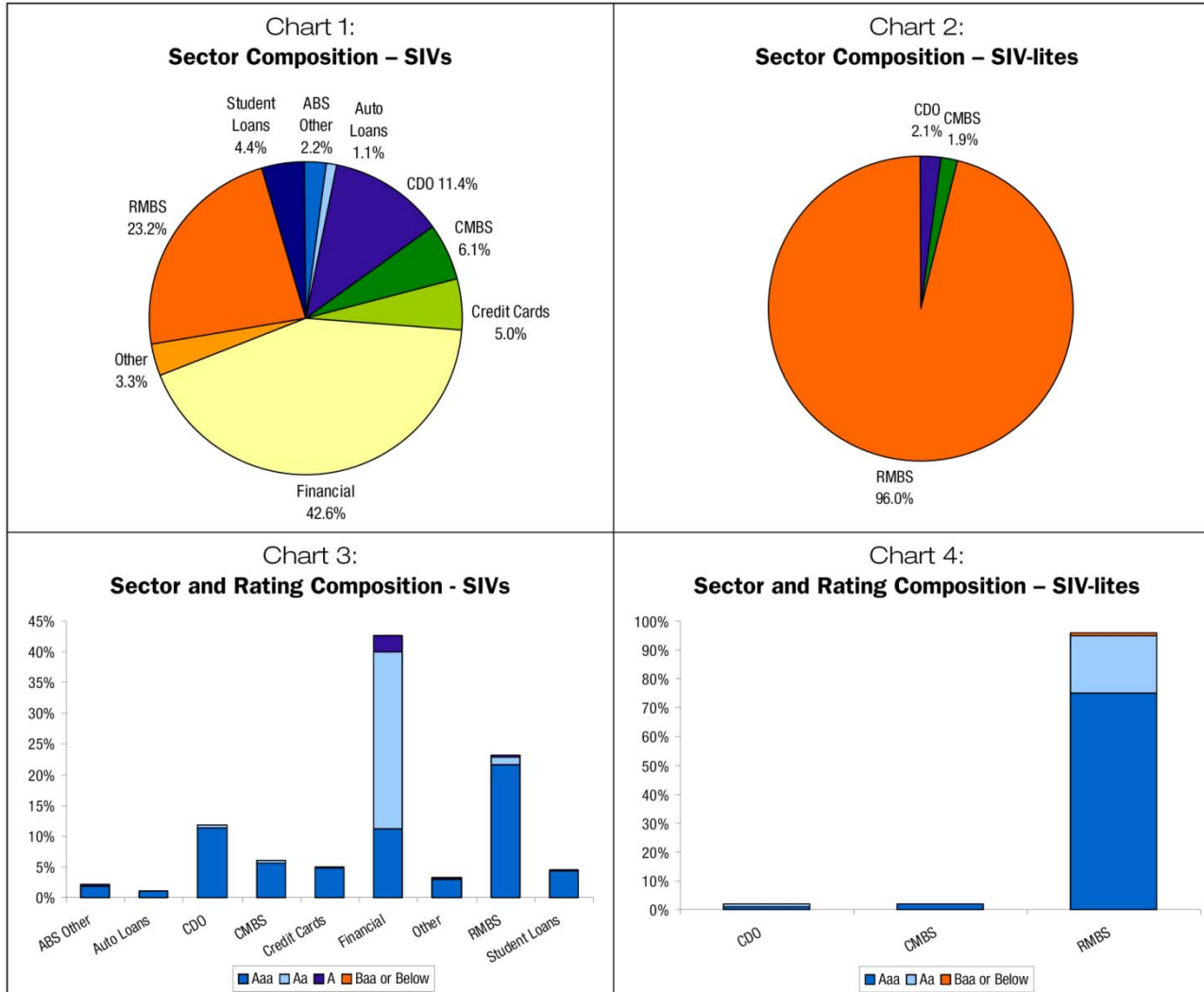


Figure 4: SIV Operating States

	Portfolio management	Investments	CP/MTN issuance
Normal	SIV manager	Yes	Yes
Restricted investment	SIV manager	No	Yes, for refinancing
Restricted funding/ defeasance	SIV manager	No	No
Enforcement	Security trustee/ receiver	No	No

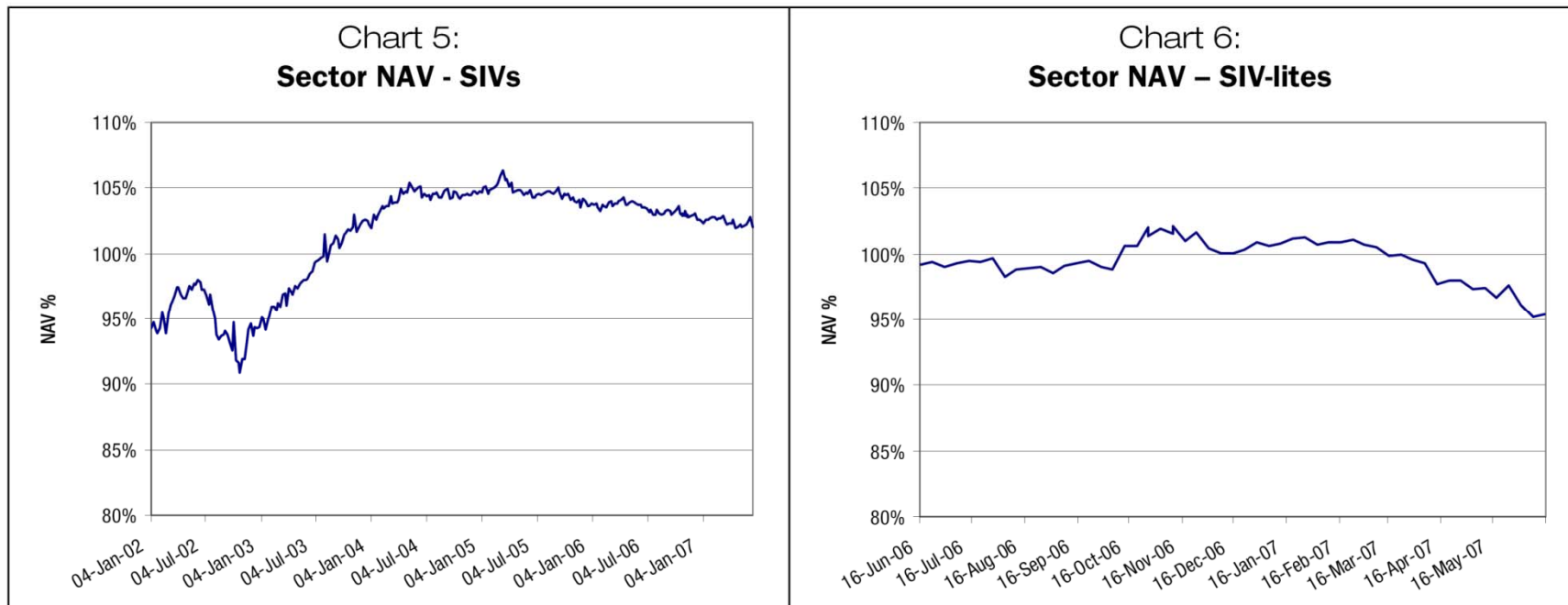
Source: Fitch

Figure 5: SIVs vs. SIV-lites



Moody's, *SIVs: An Oasis of Calm in the Sub-prime Maelstrom*, July 2007

Figure 6: SIV and SIV-lite Net Asset Values, 1q2002-1q2007



Moody's, *SIVs: An Oasis of Calm in the Sub-prime Maelstrom*, July 2007

Figure 7: Sector Valuations in Mid-2007

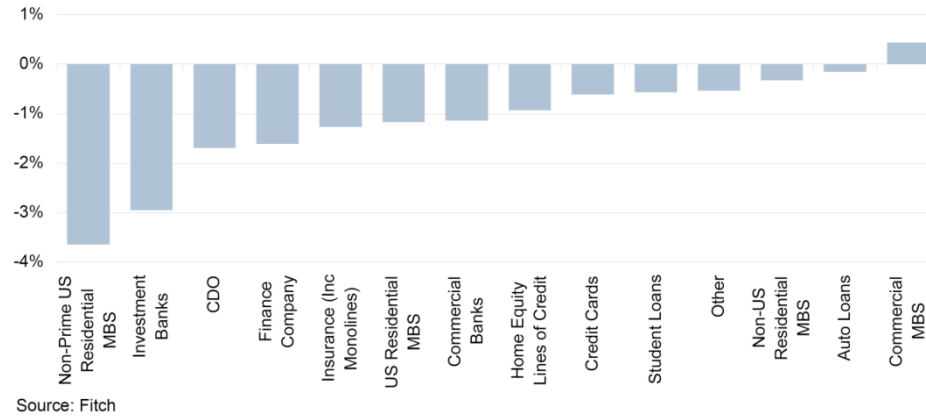


Figure 8: Net Asset Values, 3q2007

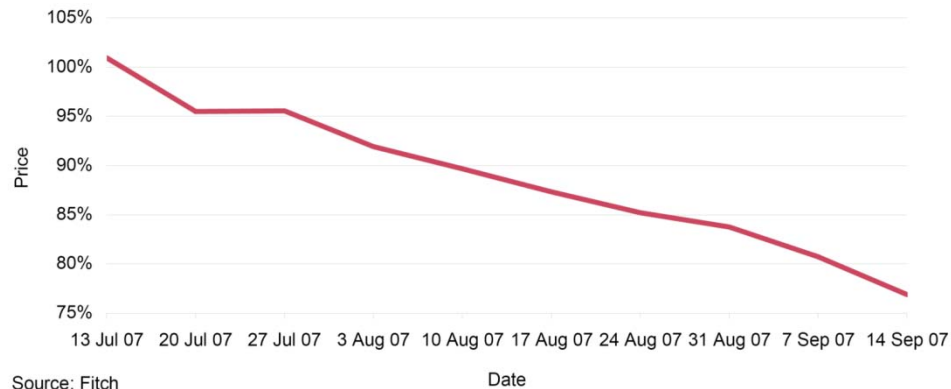


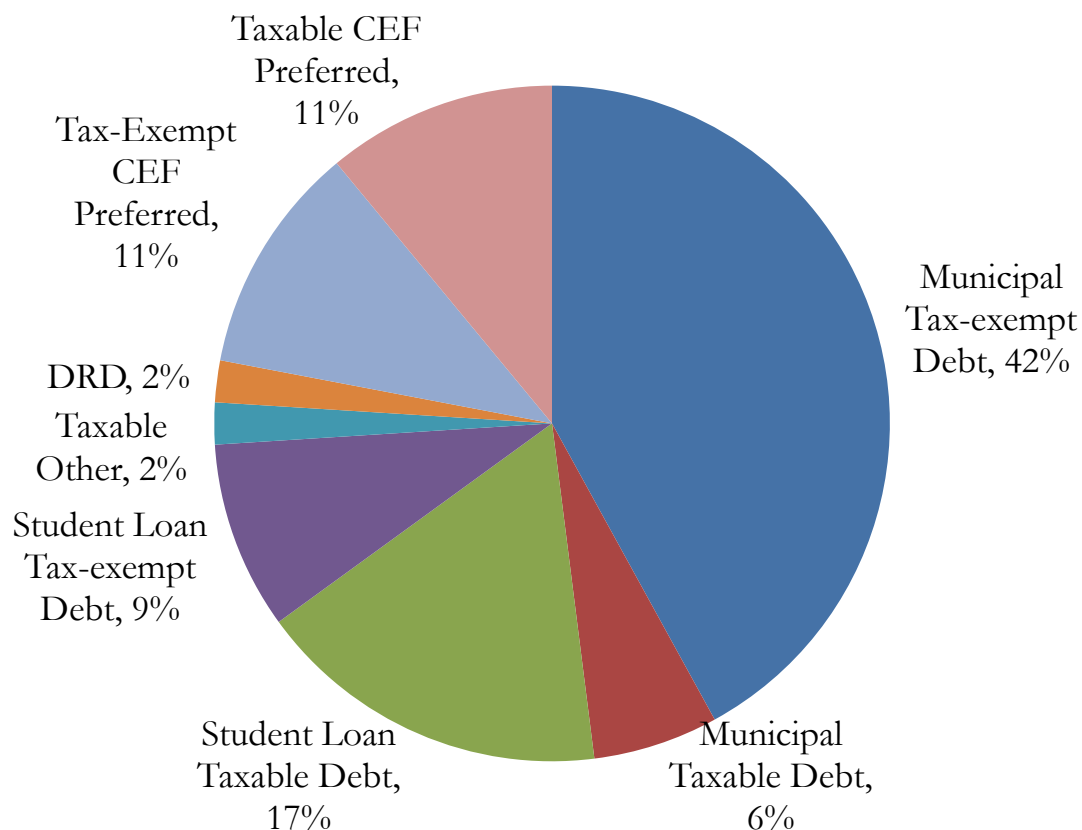
Figure 9: Funding Composition

	End Aug 07 (%)	Mid Sept 07 (%)	End Sept 07 (%)
CP market	29	27	23
MTN market	62	62	64
Capital	7	7	7
Repo facilities	2	3	6

Source: Fitch

Fitch, *SIVs Rating Performance – Update 1*, October 12, 2007

Figure 10: Typical ARS Collateral



Source: Merrill Lynch, *An Introduction to Auction Market Securities*, 4th Quarter 2006

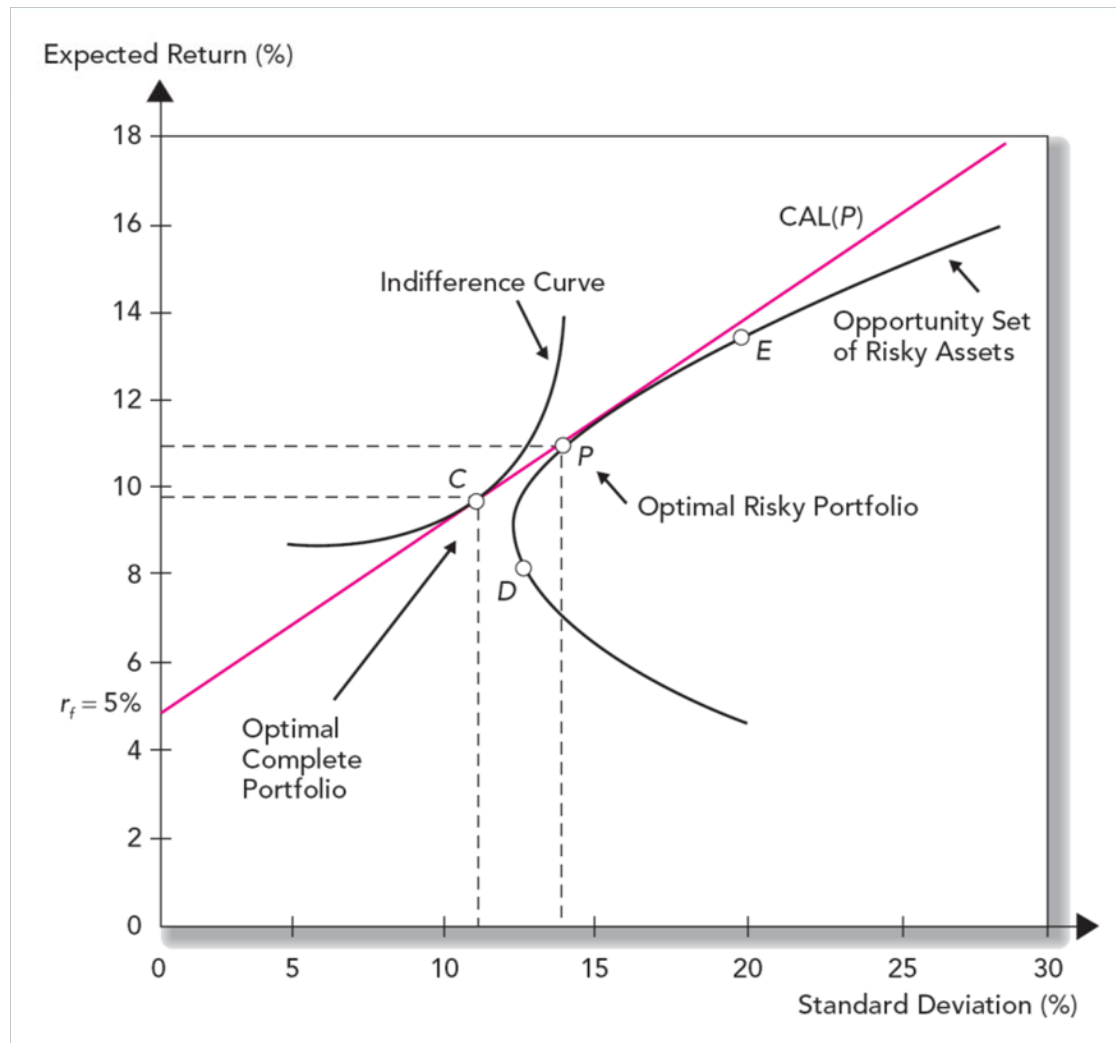
Wall Street Journal, July 28, 2008,

Wall Street firms started raising commissions paid to some brokers at outside dealers who sold securities to clients, an action that might serve as an enticement to them to sell more. On November 2, 2007, for example, Credit Suisse's short-term trading desk sent out an email informing its salespeople that Citigroup was increasing its commissions to outside dealers from 0.15 of a percent of the security sold to 0.20 of a percent on certain of its auction rate securities, according to a person familiar with the email. By the start of January, their commissions on all types of Citigroup's auction rate securities rose to 0.15 of a percent, instead of 0.1, says the person.

Figure 11: “Informal Shorthand” in Now-defaulted ARS Deals

<u>DESCRIPTION IN EMAIL</u>	<u>DESCRIPTION IN ACCOUNT STATEMENT</u>
Athilon Funding	ATHILON CAP CORP SR SUB DEFERRABLE INT
Athilon Funding	ATHILON CAP CORP SR SUB DEFERRABLE INT
Pivot Funding	PIVOT MASTER TR AR
Mantoloking Funding	MANTOLOKING CDO 2006 LTD
Pivot Funding Ser. 6	PIVOT MASTER TR AR
Pivot Funding Ser. 6	PIVOT MASTER TR AR
Capstan Funding Ser. 2	CAPSTAN MASTER TR SER 2
Lakeside Funding	LAKESIDE CDO LTD
Lakeside Funding	LAKESIDE CDO LTD
Lakeside Funding	LAKESIDE CDO LTD

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