

March 11, 2008

Cash Flow And Hybrid CDO Of ABS Event Of Default Notices Received As Of March 10, 2008

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Surveillance Of Existing CDO Transactions

Cash Flow And Hybrid CDO Of ABS Event Of Default Notices Received As Of March 10, 2008

As of March 10, 2008, Standard & Poor's Ratings Services had received notification from collateralized debt obligation (CDO) trustees of 125 events of default (EODs) on cash flow and hybrid mezzanine structured finance (SF) CDOs of asset-backed securities (ABS), high-grade SF CDOs of ABS, and CDO of SF CDO transactions. All of the transactions are backed in part by recent-vintage residential mortgage-backed securities (RMBS), either by directly holding notes from the RMBS transactions or by holding notes from other CDO transactions that are in turn collateralized by RMBS.

Since our last update, published March 4, 2008, we have received notification of EODs on ten additional transactions with an aggregate issuance amount of \$10.671 billion in rated liability balances (see table 1). The 125 transactions listed below for which we have received EOD notifications to date represent an aggregate issuance amount of \$138.618 billion. These transactions include:

- Seventy-one mezzanine SF CDO of ABS transactions, which were collateralized at origination primarily by 'A' through 'BB' rated tranches of RMBS and other structured finance transactions;
- Thirty-eight high-grade SF CDO of ABS transactions, which were collateralized at origination primarily by 'AAA' through 'A' rated tranches of RMBS and other structured finance transactions; and
- Sixteen CDO of CDO transactions, which were collateralized primarily by notes from other CDOs, as well as tranches from RMBS and other structured finance transactions.

In response to inquiries from investors, we have added a list of transactions for which EOD notices have been rescinded, retracted, recalled, or cured (see table 2).

We will continue to provide weekly updates on CDO transactions for which we receive notice of an EOD.

Table 1

CDO EOD Notices Received As Of March 10, 2008							
Transaction name (surveillance office)	Rated liability balance at issuance (\$)	Structure	Collateral	Origination date	Current status	Initial notice dated	Reason for EOD*
ACA ABS 2007-2 Ltd. (U.S.)	748,600,000	Hybrid	Mezzanine SF	3-Jul-07	Liquidation notice received	18-Oct-07	1
Adams Square Funding I Ltd. (U.S.)	487,250,000	Hybrid	Mezzanine SF	25-Dec-06	Transaction liquidated	18-Oct-07	1
Webster CDO I Ltd. (U.S.)	1,532,000,000	Hybrid	Mezzanine SF	28-Dec-06	EOD notice received	18-Oct-07	1
Sherwood III ABS CDO Ltd. (U.S.)	985,000,000	Cash flow	Mezzanine SF	18-Jan-07	Acceleration notice received	19-Oct-07	1
Vertical ABS CDO 2007-1, Ltd. (U.S.)	482,000,000	Hybrid	Mezzanine SF	2-May-07	Liquidation notice received	19-Oct-07	1
Carina CDO Ltd. (U.S.)	1,490,680,000	Hybrid	Mezzanine SF	20-Nov-06	Transaction liquidated	26-Oct-07	1
GSC ABS CDO 2006-4U Ltd. (U.S.)	720,000,000	Hybrid	Mezzanine SF	26-Oct-06	Acceleration notice received	31-Oct-07	1

Table 1

CDO EOD Notices Received As Of March 10, 2008 (cont.)							
TABS 2006-5 Ltd. (U.S.)	1,477,000,000	Hybrid	Mezzanine SF	13-Oct-06	Transaction liquidated	1-Nov-07	2
Jupiter High Grade CDO V Ltd. (U.S.)	1,490,500,000	Cash flow	High-grade SF	3-Apr-07	Acceleration notice received	2-Nov-07	1
ACA ABS 2006-2 Ltd. (U.S.)	708,000,000	Cash flow	Mezzanine SF	3-Dec-06	Acceleration notice received	5-Nov-07	1
GSC ABS CDO 2007-1r Ltd. (U.S.)	723,000,000	Hybrid	Mezzanine SF	2-May-07	Acceleration notice received	5-Nov-07	1
Cetus ABS CDO 2006-4 Ltd. (U.S.)	1,470,000,000	Hybrid	Mezzanine SF	29-Nov-06	Acceleration notice received	5-Nov-07	1
Sagittarius CDO Ltd. (U.S.)	957,000,000	Hybrid	Mezzanine SF	29-Mar-07	Acceleration notice received	6-Nov-07	1
Ansley Park ABS Ltd. (U.S.)	603,650,000	Cash flow	Mezzanine SF	20-Dec-06	Liquidation notice received	6-Nov-07	1
Orion 2006-2 Ltd. (U.S.)	1,485,000,000	Hybrid	Mezzanine SF	21-Dec-06	Acceleration notice received	6-Nov-07	2
Neptune V Ltd. (U.S.)	336,500,000	Cash flow	Mezzanine SF	20-Jun-07	EOD notice received	9-Nov-07	1
Pampelonne CDO II Ltd. (U.S.)	1,990,690,000	Hybrid	High-grade SF	26-Mar-07	Liquidation notice received	9-Nov-07	1
Hartshorne CDO I LLC (U.S.)	966,100,000	Hybrid	Mezzanine SF	27-Mar-07	Liquidation notice received	9-Nov-07	1
Pampelonne CDO I Ltd. (U.S.)	1,241,500,000	Hybrid	High-grade SF	2-Nov-06	Liquidation notice received	9-Nov-07	1
Tab 2007-7 Ltd. (U.S.)	2,314,550,000	Hybrid	Mezzanine SF	26-Mar-07	Liquidation notice received	9-Nov-07	2
BFC Silverton (U.S.)	720,000,000	Hybrid	Mezzanine SF	2-Nov-06	Liquidation notice received	13-Nov-07	1
Cherry Creek CDO II Ltd. (U.S.)	482,500,000	Hybrid	Mezzanine SF	21-Mar-07	Acceleration notice received	14-Nov-07	1
BRODERICK CDO 3 Ltd. (U.S.)	1,494,000,000	Cash flow	High-grade SF	1-Mar-07	Acceleration notice received	14-Nov-07	1
ACA ABS 2007-1 Ltd. (U.S.)	1,482,000,000	Hybrid	Mezzanine SF	27-Mar-07	EOD notice received	15-Nov-07	1
MKP CBO VI, Ltd. (U.S.)	28,500,000	Cash flow	Mezzanine SF	5-Sep-06	Acceleration notice received	15-Nov-07	2
Lancer Funding II, Ltd. (U.S.)	1,021,000,000	Cash flow	CDO of SF CDO	5-Jun-07	Liquidation notice received	16-Nov-07	1
Markov CDO I Ltd. (U.S.)	2,127,000,000	Hybrid	High-grade SF	11-May-07	Liquidation notice received	16-Nov-07	1
TABS 2006-6 Ltd. (U.S.)	1,472,000,000	Hybrid	Mezzanine SF	22-Nov-06	EOD notice received	16-Nov-07	1
Class V Funding III Ltd. (U.S.)	1,024,200,000	Cash flow	CDO of SF CDO	2-Apr-07	EOD notice received	19-Nov-07	1
Tricadia CDO 2006-7 Ltd. (U.S.)	502,700,000	Hybrid	CDO of SF CDO	1-Feb-07	Acceleration notice received	20-Nov-07	1
Tricadia CDO 2007-8 Ltd. (U.S.)	501,900,000	Hybrid	CDO of SF CDO	2-May-07	Liquidation notice received	20-Nov-07	1
Highridge ABS CDO I Ltd. (U.S.)	1,492,000,000	Cash flow	High-grade SF	31-Jan-07	Acceleration notice received	27-Nov-07	1
Montrose Harbor Ltd. (U.S.)	479,500,000	Cash flow	Mezzanine SF	3-Aug-06	Acceleration notice received	29-Nov-07	1

Cash Flow And Hybrid CDO Of ABS Event Of Default Notices Received As Of March 10, 2008

Table 1

CDO EOD Notices Received As Of March 10, 2008 (cont.)							
Jupiter High Grade CDO VII Ltd. (U.S.)	1,480,000,000	Cash flow	High-grade SF	8-Aug-07	Acceleration notice received	30-Nov-07	1
Millstone IV CDO Ltd. (U.S.)	2,190,500,000	Cash flow	High-grade SF	28-Jun-07	Acceleration notice received	30-Nov-07	2
Octans III CDO Ltd. (U.S.)	280,000,000	Hybrid	Mezzanine SF	28-Dec-06	Acceleration notice received	4-Dec-07	1
Armitage ABS CDO Ltd. (U.S.)	2,974,000,000	Cash flow	High-grade SF	3-Apr-07	Acceleration notice received	4-Dec-07	1
Rockbound CDO I Ltd. (U.S.)	488,000,000	Hybrid	CDO of SF CDO	3-Aug-07	Acceleration notice received	6-Dec-07	1
Cetus ABS CDO 2006-3 Ltd. (U.S.)	1,232,500,000	Hybrid	Mezzanine SF	4-Dec-06	Acceleration notice received	7-Dec-07	1
Mystic Point CDO Ltd. (U.S.)	490,500,000	Hybrid	Mezzanine SF	2-Jan-07	Liquidation notice received	11-Dec-07	1
McKinley Funding III Ltd. (U.S.)	1,495,000,000	Cash flow	High-grade SF	4-Dec-06	EOD notice received	11-Dec-07	1
Diogenes CDO III Ltd. (U.S.)	752,000,000	Hybrid	Mezzanine SF	22-Aug-07	Liquidation notice received	11-Dec-07	1
Pinnacle Point Funding II Ltd. (U.S.)	4,583,500,000	Hybrid	CDO of SF CDO	3-Jul-07	Acceleration notice received	13-Dec-07	1
888 Tactical Fund, Ltd. (U.S.)	1,019,200,000	Hybrid	CDO of SF CDO	26-Mar-07	EOD notice received	13-Dec-07	1
Fort Denison Funding Ltd. (U.S.)	411,300,000	Cash flow	Mezzanine SF	5-Mar-07	EOD notice received	13-Dec-07	1
Kleros Preferred Funding IV Ltd. (U.S.)	1,986,850,000	Cash flow	High-grade SF	28-Dec-06	EOD notice received	14-Dec-07	1
Kleros Preferred Funding VI, Ltd. (U.S.)	2,985,000,000	Cash flow	High-grade SF	3-Apr-07	EOD notice received	14-Dec-07	1
Stack 2007-1 Ltd. (U.S.)	1,500,000,000	Hybrid	Mezzanine SF	11-Apr-07	Acceleration notice received	17-Dec-07	1
E*Trade ABS CDO VI Ltd. (U.S.)	402,000,000	Hybrid	Mezzanine SF	25-Apr-07	Acceleration notice received	17-Dec-07	1
NeO CDO 2007-1 Ltd. (U.S.)	288,000,000	Cash flow	CDO of SF CDO	1-May-07	Liquidation notice received	18-Dec-07	1
Nordic Valley 2007-1 Ltd. (U.S.)	988,500,000	Hybrid	Mezzanine SF	6-Sep-07	Acceleration notice received	18-Dec-07	1
Kleros Preferred Funding V, Ltd. (U.S.)	1,191,500,000	Cash flow	High-grade SF	26-Jan-07	EOD notice received	19-Dec-07	1
Visage CDO II Ltd. (U.K.)	402,000,000	Hybrid	Mezzanine SF	19-Jan-07	Liquidation notice received	24-Dec-07	1
Diversey Harbor ABS CDO Ltd. (U.S.)	2,479,000,000	Cash flow	High-grade SF	10-Jul-06	Acceleration notice received	27-Dec-07	1
Aardvark ABS CDO 2007-1 Ltd. (U.S.)	1,500,000,000	Cash flow	High-grade SF	3-Apr-07	EOD notice received	2-Jan-08	1
Delphinus CDO 2007-1 Ltd. (U.S.)	947,000,000	Cash flow	Mezzanine SF	2-Aug-07	EOD notice received	4-Jan-08	1
Kleros Preferred Funding III, Ltd. (U.S.)	198,560,000	Cash flow	High-grade SF	27-Sep-06	EOD notice received	4-Jan-08	1
Neptune CDO IV Ltd. (U.S.)	962,500,000	Hybrid	Mezzanine SF	4-Apr-07	Acceleration notice received	4-Jan-08	1
Volans Funding 2007-1 Ltd. (U.S.)	1,062,000,000	Cash flow	Mezzanine SF	26-Mar-07	EOD notice received	8-Jan-08	1

Table 1

CDO EOD Notices Received As Of March 10, 2008 (cont.)							
Ridgeway Court Funding II Ltd. (U.S.)	2,974,000,000	Hybrid	High-grade SF	2-Jul-07	EOD notice received	15-Jan-08	1
Pinnacle Peak CDO I Ltd. (U.S.)	1,480,000,000	Cash flow	High-grade SF	19-Jul-07	Acceleration notice received	17-Jan-08	2
Imac CDO 2007-2 Ltd. (U.S.)	488,000,000	Hybrid	CDO of SF CDO	17-Apr-07	Liquidation notice received	18-Jan-08	1
Squared CDO 2007-1 Ltd. (U.S.)	1,087,996,000	Hybrid	CDO of SF CDO	1-Jun-07	EOD notice received	18-Jan-08	2
Class V Funding II Ltd. (U.S.)	300,000,000	Cash flow	CDO of SF CDO	2-Jun-06	EOD notice received	22-Jan-08	2
Durant CDO 2007-1 Ltd. (U.S.)	369,000,000	Hybrid	CDO of SF CDO	25-Jun-07	Liquidation notice received	23-Jan-08	1
Mars CDO I Ltd. (U.S.)	593,500,000	Cash flow	CDO of SF CDO	3-May-07	Acceleration notice received	23-Jan-08	1
Bonifacius, Ltd. (U.S.)	2,484,000,000	Cash flow	High-grade SF	1-Aug-07	Acceleration notice received	24-Jan-08	2
Ridgeway Court Funding I Ltd. (U.S.)	1,992,000,000	Cash flow	High-grade SF	31-Jul-06	Acceleration notice received	25-Jan-08	1
Tigris CDO 20071- Ltd. (U.S.)	741,000,000	Cash flow	CDO of SF CDO	11-Sep-07	EOD notice received	25-Jan-08	3
Forge ABS High Grade CDO I, Ltd. (U.S.)	1,495,500,000	Cash flow	High-grade SF	24-Apr-07	EOD notice received	30-Jan-08	2
Summer Street 2007-1, Ltd. (U.S.)	549,000,000	Cash flow	Mezzanine SF	12-Jun-07	EOD notice received	1-Feb-08	1
Corona Borealis CDO Ltd. (U.S.)	1,455,500,000	Hybrid	Mezzanine SF	2-May-07	Acceleration notice received	1-Feb-08	1
PYXIS ABS CDO 2007-1 Ltd. (U.S.)	1,489,000,000	Hybrid	Mezzanine SF	22-Mar-07	Acceleration notice received	1-Feb-08	1
Ixis ABS CDO 2 Ltd. (U.S.)	486,500,000	Hybrid	Mezzanine SF	30-Jun-06	Acceleration notice received	1-Feb-08	2
GSC ABS Funding 2006-3g, Ltd. (U.S.)	3,669,000,000	Cash flow	Mezzanine SF	23-Jan-07	EOD notice received	1-Feb-08	1
ART CDO 2006-1 Ltd. (U.S.)	107,200,000	Cash flow	High-grade SF	23-Aug-06	EOD notice received	1-Feb-08	1
NovaStar ABS CDO I Ltd. (U.S.)	347,200,000	Cash flow	Mezzanine SF	9-Feb-07	EOD notice received	4-Feb-08	1
Pacific Pinnacle CDO Ltd. (U.S.)	1,865,600,000	Cash flow	High-grade SF	29-Dec-06	EOD notice received	4-Feb-08	1
Cairn Mezz ABS CDO II Ltd. (U.S.)	729,625,000	Hybrid	Mezzanine SF	20-Nov-06	Acceleration notice received	4-Feb-08	1
Kleros Real Estate CDO III, Ltd. (U.S.)	976,000,000	Cash flow	Mezzanine SF	29-Dec-06	EOD notice received	5-Feb-08	1
Aventine Hill CDO I Ltd. (U.S.)	788,600,000	Hybrid	Mezzanine SF	5-Sep-07	EOD notice received	6-Feb-08	1
Mugello ABS CDO 2006-1 Ltd. (U.S.)	562,000,000	Hybrid	Mezzanine SF	29-Nov-06	Acceleration notice received	6-Feb-08	1
Gulf Stream-Atlantic CDO 2007-1 Ltd. (U.S.)	500,000,000	Hybrid	Mezzanine SF	5-Mar-07	EOD notice received	7-Feb-08	1
Western Springs CDO Ltd. (U.S.)	495,600,000	Hybrid	Mezzanine SF	21-May-07	Acceleration notice received	7-Feb-08	2
Biltmore CDO 2007-1 Ltd. (U.S.)	1,000,000,000	Cash flow	High-grade SF	1-Aug-07	EOD notice received	7-Feb-08	1

Cash Flow And Hybrid CDO Of ABS Event Of Default Notices Received As Of March 10, 2008

Table 1

CDO EOD Notices Received As Of March 10, 2008 (cont.)							
Tenorite CDO I Ltd. (U.S.)	1,027,000,000	Hybrid	Mezzanine SF	23-May-07	Acceleration notice received	7-Feb-08	1
Lacerta ABS CDO 2006-1 Ltd. (U.S.)	600,000,000	Hybrid	Mezzanine SF	4-Dec-06	Acceleration notice received	7-Feb-08	1
Halyard CDO I, PLC (U.K.)	217,500,000	Hybrid	Mezzanine SF	27-Oct-06	EOD notice received	8-Feb-08	1
Longshore CDO 2007-3 Ltd. (U.S.)	1,300,000,000	Hybrid	High-grade SF	2-May-07	EOD notice received	8-Feb-08	1
Octonion I CDO Ltd. (U.S.)	990,250,000	Hybrid	Mezzanine SF	28-Mar-07	EOD notice received*	8-Feb-08	1
Kleros Preferred Funding VII, Ltd. (U.S.)	1,490,000,000	Cash flow	High-grade SF	2-May-07	EOD notice received*	8-Feb-08	1
Careel Bay CDO Ltd. (U.S.)	750,000,000	Hybrid	Mezzanine SF	22-Jan-07	EOD notice received	11-Feb-08	1
Longport Funding III Ltd. (U.S.)	750,000,000	Hybrid	Mezzanine SF	12-Apr-07	EOD notice received	11-Feb-08	1
Scorpius CDO Ltd. (U.S.)	1,484,500,000	Hybrid	Mezzanine SF	1-Nov-06	EOD notice received	12-Feb-08	1
Kefton CDO I Ltd. (U.S.)	670,000,000	Hybrid	Mezzanine SF	22-Dec-06	Liquidation notice received	12-Feb-08	2
Preston CDO I, Ltd.(U.S.)	355,400,000	Hybrid	Mezzanine SF	4-Sep-07	EOD notice received	12-Feb-08	1
Auriga CDO Ltd. (U.S.)	1,510,450,000	Hybrid	Mezzanine SF	2-Jan-07	Acceleration notice received	13-Feb-08	1
Draco 2007-1 Ltd. (U.S.)	2,000,000,000	Hybrid	Mezzanine SF	2-May-07	EOD notice received	13-Feb-08	1
Longridge ABS CDO II, Ltd. (U.S.)	500,000,000	Hybrid	Mezzanine SF	1-Mar-07	EOD notice received	13-Feb-08	1
Adams Square Funding II, Ltd. (U.S.)	979,200,000	Hybrid	Mezzanine SF	30-Mar-07	EOD notice received*	14-Feb-08	2
Vertical ABS CDO 2007-2 Ltd. (U.S.)	758,875,000	Hybrid	Mezzanine SF	4-Sep-07	EOD notice received	14-Feb-08	1
Brookville CDO I, Ltd. (U.S.)	499,000,000	Cash flow	Mezzanine SF	2-May-07	Acceleration notice received	19-Feb-08	2
Arca Funding 2006- II, Ltd. (U.S.)	700,210,000	Hybrid	Mezzanine SF	4-Jan-07	Liquidation notice received	21-Feb-08	2
PASA Funding 2007 Ltd. (U.S.)	3,017,400,000	Cash flow	High-grade SF	3-Apr-07	Liquidation notice received*	22-Feb-08	2
Stockton CDO Ltd. (U.S.)	900,000,000	Hybrid	Mezzanine SF	1-Aug-07	EOD notice received	22-Feb-08	1
Silver Marlin CDO I Ltd. (U.S.)	1,250,500,000	Cash flow	High-grade SF	2-Apr-07	EOD notice received	22-Feb-08	2
Tahoma CDO III, Ltd. (U.S.)	350,000,000	Hybrid	CDO of SF CDO	2-May-07	EOD notice received	25-Feb-08	1
Brooklyn Structured Finance CDO Ltd. (U.S.)	993,500,000	Cash flow	High-grade SF	4-Dec-06	EOD notice received*	25-Feb-08	1
Wadsworth CDO, Ltd. (U.S.)	132,987,500	Cash flow	High-grade SF	3-Oct-06	EOD notice received	26-Feb-08	1
BRODERICK CDO 2 Ltd. (U.S.)	167,200,000	Cash flow	High-grade SF	3-Jan-06	EOD notice received	27-Feb-08	1

Table 1

CDO EOD Notices Received As Of March 10, 2008 (cont.)							
High Grade Structured Credit CDO 2007-1 Ltd. (U.S.)	4,027,000,000	Cash flow	High-grade SF	4-Jun-07	EOD notice received	27-Feb-08	1
Faxtor HG 2007-1 Ltd. (U.K.)	1,250,000,000	Cash flow	High-grade SF	31-May-07	Acceleration notice received	28-Feb-08	2
ESP Funding I, Ltd. (U.S.)	90,200,000	Hybrid	High-grade SF	14-Dec-06	EOD notice received	28-Feb-08	2
6th Avenue Funding 2006-1, Ltd. (U.S.)	160,900,000	Cash flow	CDO of SF CDO	16-Oct-06	EOD notice received	29-Feb-08	1
Independence V, Ltd. (U.S.)	601,600,000	Cash flow	Mezzanine SF	25-Feb-04	EOD notice received	29-Feb-08	2
Cairn High Grade ABS CDO II Ltd. (U.S.)	1,007,250,000	Hybrid	High-grade SF	3-Oct-06	EOD notice received	29-Feb-08	1
Visage CDO I PLC (U.K.)	162,000,000	Hybrid	Mezzanine SF	13-Sep-06	EOD notice received	3-Mar-08	1
Camber 6 PLC (U.S.)	766,000,000	Hybrid	Mezzanine SF	20-Sep-06	Liquidation notice received	3-Mar-08	1
Bernoulli High Grade CDO II, Ltd. (U.S.)	1,500,000,000	Cash flow	High-grade SF	30-Aug-07	EOD notice received	4-Mar-08	1
G Square Finance 2007-1 Ltd. (U.K.)	1,700,000,000	Cash flow	High-grade SF	2-May-07	EOD notice received	5-Mar-08	1
ACA ABS CDO 2006-1 Ltd (U.S.)	708,000,000	Cash flow	Mezzanine SF	3-May-06	EOD notice received*	5-Mar-08	1
Hamilton Gardens CDO II Ltd. (U.S.)	400,000,000	Hybrid	Mezzanine SF	5-Sep-07	EOD notice received	5-Mar-08	1
Newbury Street CDO Ltd. (U.S.)	2,000,400,000	Cash flow	High-grade SF	3-Apr-07	EOD notice received	6-Mar-08	1
Palmer ABS CDO 2007-1 Ltd. (U.S.)	1,000,000,000	Hybrid	Mezzanine SF	26-Mar-07	Acceleration notice received	6-Mar-08	1
Norma CDO I Ltd. (U.S.)	1,500,000,000	Hybrid	Mezzanine SF	2-Mar-07	EOD notice received	10-Mar-08	1

Note: Deals will be removed from this list if their EOD notices are recalled, rescinded, retracted, or cured. *Transaction experienced an earlier event of default that was subsequently rescinded or cured. 1—OC failure/calculation with haircuts; 2—OC failure/calculation without haircuts; 3—Interest payment missed on non-payment-in-kind tranche.

Table 2

CDO EOD Notices Rescinded, Retracted, Recalled, Or Cured As Of March 10, 2008							
Transaction name (surveillance office)	Rated liability balance at issuance (\$)	Structure	Collateral	Origination date	Current status	Notice dated	
FAB US 2006-1 PLC (U.S.)	366,050,000	Cash flow	Mezzanine SF	1-Dec-06	Retraction notice received	19-Nov-07	
Citius II Funding Ltd. (U.S.)	1,984,000,000	Cash flow	High-grade SF	22-Dec-06	Retraction notice received	7-Feb-08	

Surveillance Of Existing CDO Transactions

Standard & Poor's monitors the performance of each CDO transaction and takes rating actions (including CreditWatch placements) as appropriate in our opinion, given the underlying collateral's performance, the credit enhancement afforded by the CDO structure, and the then-current priority of payments specified in each transaction's legal documentation. We will monitor the ratings on the notes from cash flow and hybrid CDO

transaction that have triggered an EOD and base subsequent rating actions on our analysis of the cash flow impact of post-EOD actions taken by the controlling noteholders for the transaction.

Post-EOD actions can be grouped into four potential successive stages for most cash flow and hybrid CDO transactions. The impact of these actions on the ratings assigned to a CDO will depend on the post-EOD actions taken by the controlling classes of the transaction; the CDO trustee's or issuer's notification to Standard & Poor's of the post-default action; and the impact of these actions on the priority of payments to the various CDO classes in any revised interest and principal cash flow distributions:

- 1) EOD notification received. When Standard & Poor's receives notification that a CDO has experienced an EOD due to the failure of an O/C-based EOD trigger or for any other reason, we will review the impact of the EOD on the rated notes and may place the ratings on the affected classes on CreditWatch negative.
- 2) Acceleration notice received. If the controlling noteholders vote to accelerate the maturity of the CDO notes outstanding, the future distribution of principal and interest proceeds often (but not always) changes to a purely sequential basis such that the senior-most class of notes outstanding receives all of the principal and interest. In these cases, subordinate classes—including, in some cases, junior 'AAA' rated tranches—may not receive principal or interest payments until the balance of the senior-most class has been paid in full. In these cases, Standard & Poor's will incorporate the revised cash flow priorities into subsequent cash flow analysis generated for the transaction and take the appropriate rating actions. In some cases, the ratings assigned to the downgraded classes of notes will be left on CreditWatch negative following the downgrade to reflect the potential that a transaction could become subject to liquidation.
- 3) Liquidation notice received. When Standard & Poor's receives notice that the controlling noteholders have voted to terminate the CDO transaction and liquidate the portfolio collateral, the cash flow analysis previously used to assess the ratings assigned to the CDO notes loses relevance, as it is based on the collateral pool being maintained intact and the ongoing interest and principal proceeds from the assets being distributed to the notes according to the priority of payments. After we receive notice of intent to liquidate the collateral assets, we conduct an analysis of the liquidation value of the CDO collateral with the information available and may adjust our ratings to reflect the probability of repayment under liquidation. Because the voting requirements for declaring intent to liquidate vary from transaction to transaction and may differ from the level of consent required to accelerate the notes, it is possible that CDOs experiencing an EOD may not get to this stage.
- 4) Assets liquidated and CDO terminated. Once the CDO trustee has confirmed that the assets in the collateral pool are in the process of being sold, and/or the credit default swaps (CDS) are being terminated, Standard & Poor's will review the amounts we estimate that are likely to be received by the various classes of noteholders. When appropriate, we will withdraw our ratings on classes that have been repaid in full and lower the ratings on defaulting classes to 'D.' For some transactions, the timing of the liquidation can be uncertain, as the controlling noteholders have the ability to assess the bids the CDO trustee receives and determine when to proceed with the sale of assets.

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