





Lender's Perspective on Alternative Financing

Credit Market Overview



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CREDIT CRUNCH - ORIGINS

- Low Interest Rates
 - Led by housing boom and financial innovation
- Increase in Leverage
 - Funds seek extra yield
 - “Picking up nickels in front of a steamroller”

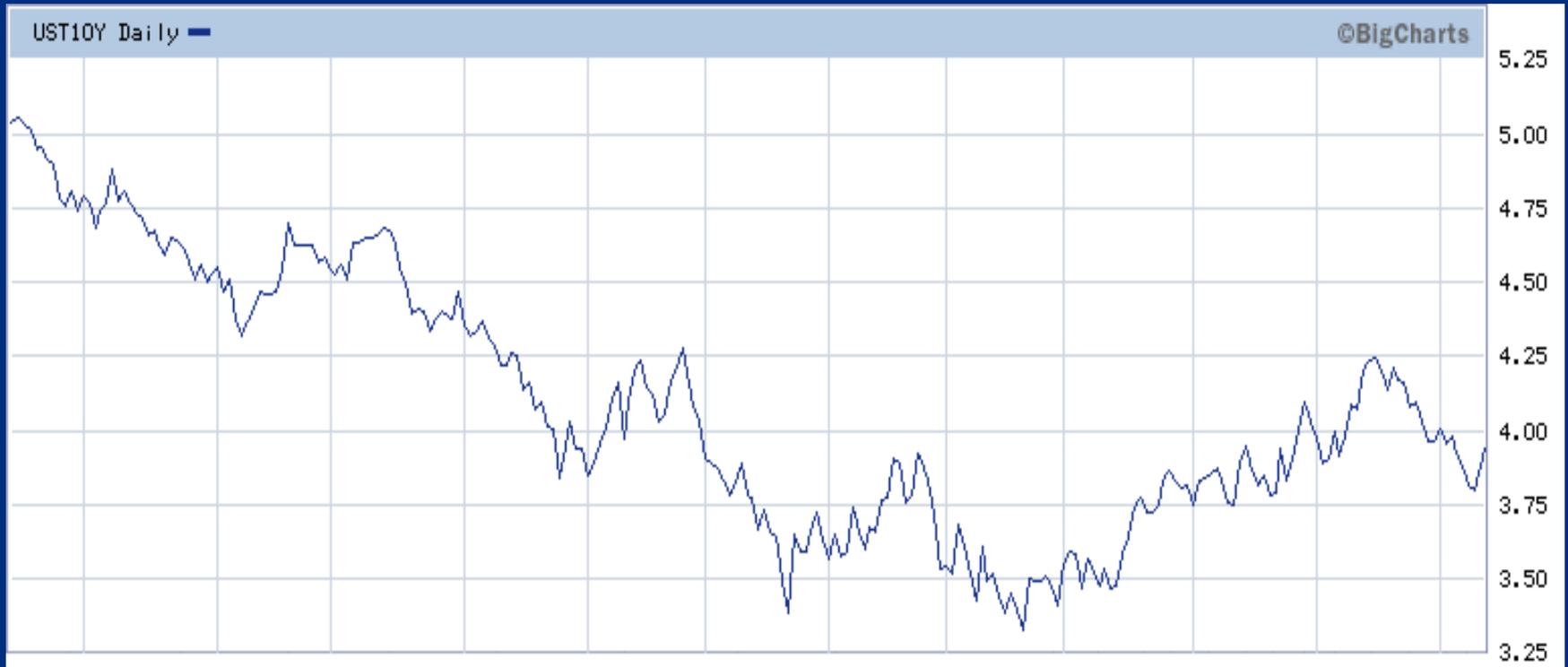


CREDIT CRUNCH – WHAT HAPPENED

- Downturn in Housing Market
 - Misunderstood risks / enormous leverage leads to domino effect of losses.
- I-Banks / Hedge Funds Sell AAA Assets to Cover Losses
 - Markets unreceptive, AAA assets decline in value
 - Creditors require funds to put up more collateral as losses mount
 - Nervous investors withdraw assets
 - Collapse (Bear Stearns / Carlyle Hedge Fund)
- Players Sitting on the Sidelines
 - Ultra-safe assets became illiquid
 - Underlying default risk unchanged; illiquidity leads to asset price decline
 - Firms hoarding cash until crisis subsides
 - Treasuries rally / Spreads widen



10-YEAR UST (1 YEAR HISTORY)





NAIC-1 SPREADS – 10 YEAR WAL

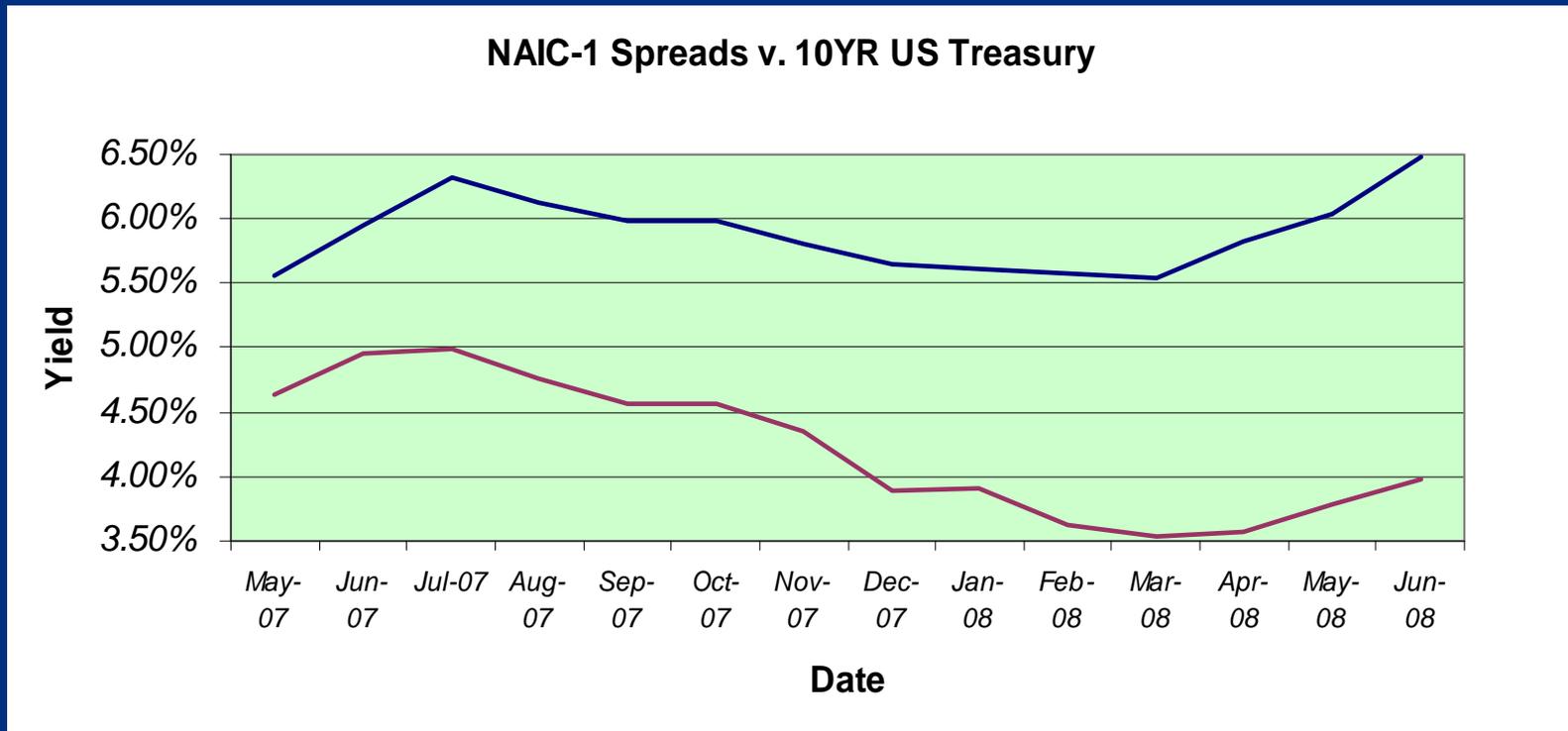
DATE	RANGE		1 YR PRIOR	
	Low	High	Low	High
May-07	85	100	NA	NA
June-07	95	105	85	100
July-07	115	150	85	100
August-07	125	150	80	95
September-07	125	160	80	100
October-07	125	160	85	110
November-07	125	165	85	110
December-07	150	200	80	110
January-08	150	190	80	100
February-08	175	215	85	100
March-08	175	225	85	100
April-08	175	225	NA	NA
May-08	175	225	85	100
June-08	175	250	95	105

SOURCE: Private Placement Week

Anita P. Molino



NAIC-1 SPREADS V. 10-YEAR UST





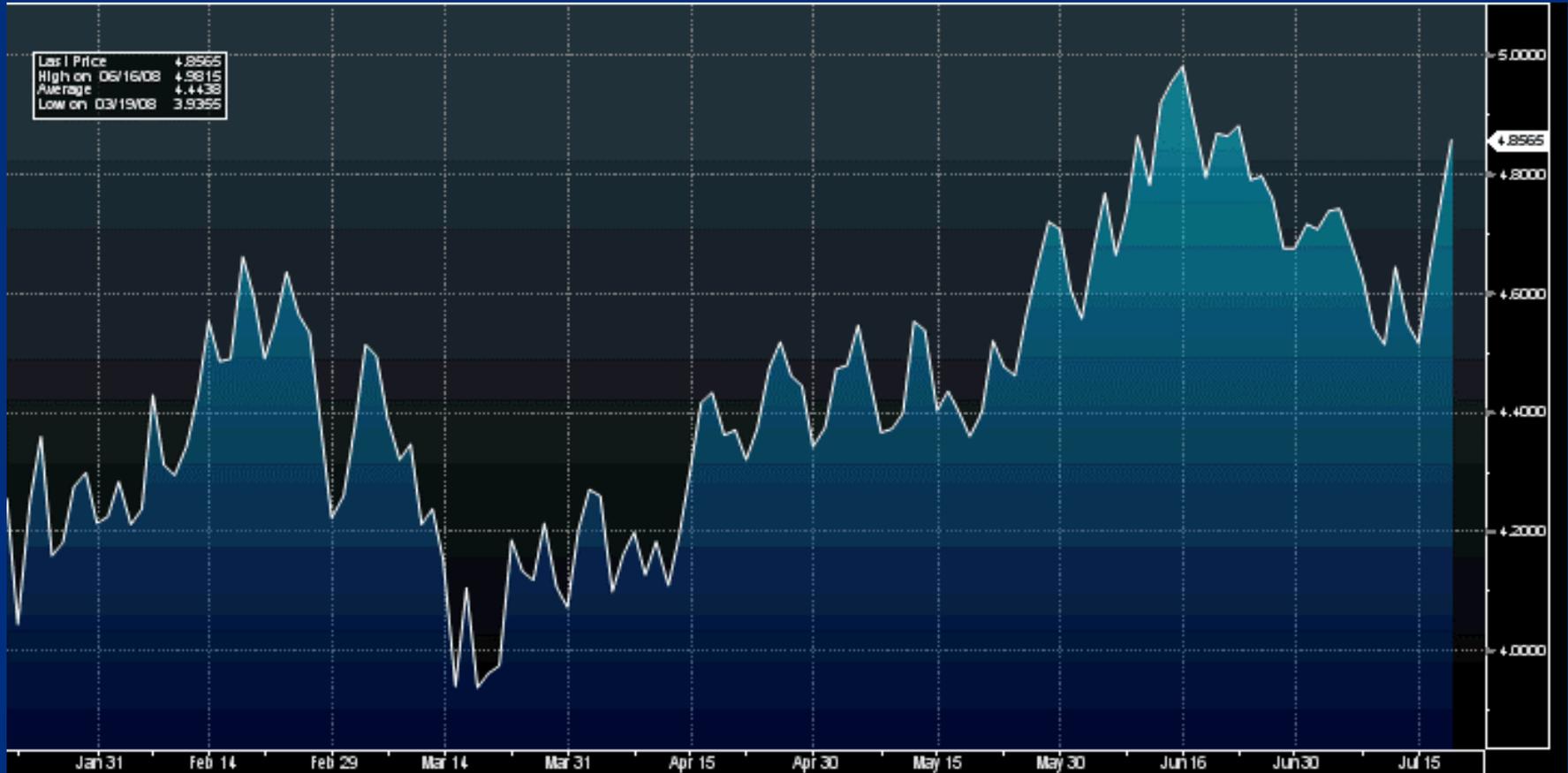
NAIC-2 SPREADS – 10 YEAR WAL

DATE	RANGE		1 YR PRIOR	
	Low	High	Low	High
May-07	105	145	NA	NA
June-07	115	145	110	155
July-07	120	180	100	145
August-07	130	180	105	155
September-07	130	180	105	150
October-07	150	190	115	165
November-07	170	250	120	170
December-07	250	325	110	160
January-08	225	300	110	160
February-08	250	550	110	160
March-08	250	450	105	155
April-08	250	400	NA	NA
May-08	250	450	105	145
June-08	250	310	115	145

SOURCE: Private Placement Week

Anita P. Molino

UST 10YR SWAPS – Historical Prices





For More Information

- Would you like to know more about this session?
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Don't forget to fill out and drop off your session evaluations!