

PF2 Securities Evaluations



Independently Evaluating CDO Securities

A Pressing Need

CDOs are at the center of the today's market dislocation. Regulation agencies are considering new alternatives to avoid further and subsequent disequilibrium. Accounting standards are being reviewed amid a proliferation of lawsuits relating to the pricing of, and accounting, for these "hard-to-value," illiquid securities.

PF2 offers an unbiased, third-party alternative.

PF2 Overview

- Independent source of CDO evaluations
- An additional eye on both credit and documentation-driven risks
- Designed to comply with — and adapt to — accounting regulations, including FAS 157
- Employs cutting-edge analytics systems developed internally (*ProForma2™*)
- Focused on promoting market consistency and transparency

Services

Ability to run a variety of cashflow scenarios under a matrix of base case and stressed case assumptions, including prepayment speeds, default and recovery rates and timing.

Wide Array of Evaluation Options:

- "One time" or Periodic Evaluations
- Client-specified or PF2-driven Evaluations
- "Fair value" or Intrinsic Evaluations

Internet-accessible Online Feed (www.pf2se.com):

- Allows clients access to current and historical securities evaluations
- Maintains market regulation information, and product and services updates
- Customizable data formats

Advantages and Benefits

- Analytical independence from a disinterested third party
- Designed to meet needs of risk management, audit and compliance
- Increased market transparency
- Buy-side and sell-side analytical expertise

Commitment to Quality

PF2 models each CDO to ensure accuracy. Key advantages of *ProForma2™*:

- Employs indenture ratings-based haircuts
- Models Event of Default waterfall
- Takes historical cashflows as inputs to accurately model equity IRR
- Looks through to MBS's underlying mortgages in generating cashflows to ABS CDOs

Strong Client Service Platform:

- High priority given to client service, including prompt response to feedback, comments and inquiries
- Timely price validation turnaround
- Commitment to meeting deadlines

Consistent Evaluation Framework

- PF2 utilizes a discounted cashflow model
- Discounting spreads based on new issue and secondary market transactions
- Securities are monitored on an ongoing basis, to incorporate any changes of which PF2 becomes aware in the spreads or economic conditions



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