

Ex-Moody's Trio to Peg CDO Values

Three former **Moody's** staffers have teamed up to form a company that aims to assign values to CDOs on behalf of clients.

Guillaume Fillebeen, Mark Froeba and **Gene Phillips** founded the New York-based **PF2 Securities Evaluations** last month, and have so far opened talks with at least six potential customers. Their targeted audience: investors that own CDO notes, along with money managers, trustees and collateral administrators involved in the deals.

PF2's evaluations will zero in on CDOs' "fair values" by taking into consideration the deals' underlying cashflows, credit quality and risk. In large part, the firm hopes to take advantage of recent credit-market turmoil, which is driving up demand for such services.

That's certainly a reasonable prospect when it comes to the battered CDO market, where PF2's work will include evaluating the growing numbers of deals that have recently suffered technical "events of default."

Indeed, factors related to the credit crunch have made determining CDO values a tricky proposition, and many players have become less willing to rely on in-house assessments. Investment banks used to be the main source of such information, but many have scaled back or shut down their CDO trading and investment operations over the last nine months.

Even if they're still plugged in, some banks are afraid to

offer pricing information out of fear of lawsuits if they turn out to be wrong, Phillips said. The secondary market hasn't offered a solid point of reference for CDO values either, due to a reduction in already-scant trading on that front since the credit market bombed (see article on Page 1).

In the case of trustees and the sort, PF2's value assessments can be used to comply with the **Financial Accounting Standards Board's FAS 157** rule, which requires certain investments to be marked to market on a regular basis. At the same time, "Many companies — we hope, at least — are going to be spending a lot more money on risk management in the future," Phillips said.

Fillebeen, Froeba and Phillips spent several years together at Moody's, as part of the group that rates CDOs and credit-derivative transactions. Fillebeen and Phillips left in 2006, with Fillebeen jumping to **RBS Greenwich** and Phillips heading to a buy-side role at **Citigroup Alternative Investments**.

At RBS, Fillebeen was part of a CDO-underwriting unit that handles deals backed by corporate bonds and structured products. He left last August.

Phillips focused on asset monitoring and risk management involving similar deals at Citi, where he worked until this month.

Froeba, meanwhile, remained at Moody's until four months ago as a senior vice president working on collateralized loan obligations. He earlier worked at the law firm of **Skadden Arps**. ❖

