* Mkt Reactions

· Stock Mkt · modestly positive
· Bond Mkt · negative
Default Swaps 5yr
260, 285, 310 295-325
50bp degradation

10yr debt 250 quote - *
30yr 265

* not sufficiently liquid to be a good marker

CLN 380 '06
Osprey 350-330

· Investors
· Surprised by magnitude of write-off
· Concerned over future write-offs

· Ratings trajectory has been positive

S&P
· On stable, but monitoring closely
· Would not take much to go outlook

· Concern is ultimately the impact of rating downgrade
on the Wholesale business

GOVERNMENT EXHIBIT
10027
Crim No. H-04-0025

EC48650A0011655

"Bondholders taken a bath"

· What do we need to do

· Finish clarity exercise
· Operating cashflow
· Consolidated debt (on + off balance sheet)
· Asset values
· probability of future write downs

· started on the call, but need more follow through

· Get diligence done first
· Ensure we are air tight

· Today
· Could probably get a deal done with a lot of spread
· Risk not being able to answer all questions

Benefit of the doubt has been over

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