ABCP Market Overview:
Half a Trillion and Still Counting

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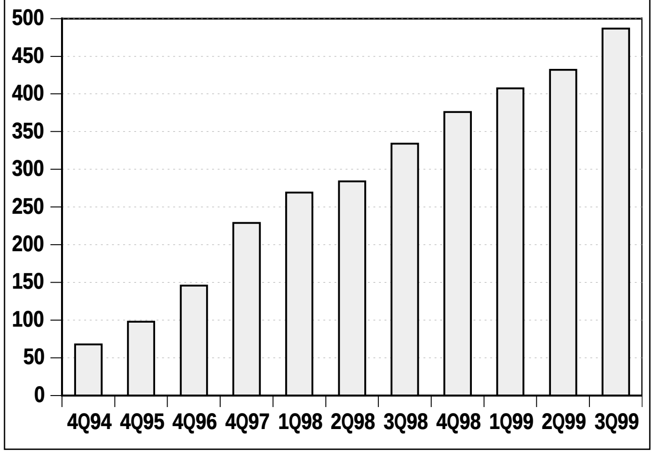
HIGHLIGHTS

- Third Quarter Growth Was Intense and Expected Fourth Quarter Slowdown Did Not Materialize
- The Search For Alternative Sources of Liquidity Continues to Preoccupy the Market
- Y2K Glitches Did Not Impact ABCP Programs' Credit Quality
- Happy Ending for Bravo Trust Series 1997-1 Class A Certificate Holders
- How Big Can the ABCP Market Become? Predictions from the Market Pros
- Program Administrators: Some Changes in the Top Ten List
- Press Coverage of Newly Established ABCP Programs

THIRD QUARTER GROWTH WAS INTENSE AND EXPECTED FOURTH QUARTER SLOWDOWN DID NOT MATERIALIZE

ABCP outstandings[1] for the third quarter of 1999 rose to a new high of $486 billion (see *Figure 1*), up 12.5% from $432 billion at the end of the second quarter. The intense pace of growth in the third quarter was attributable primarily to market participants' expectations that investor appetite for ABCP in the fourth quarter would be tempered as a result of increased money market redemptions and other cash requirements associated with Y2K-related precautionary measures. Sixteen new conduits were rated in the third quarter, a figure roughly in line with the average number of conduits established per quarter over the previous eight quarters.

Figure 1
ABCP Market: Average Quarterly Outstandings
(in $ Billions)



The continued growth of the market in the fourth quarter was a surprise to most. Leading market participants expected that by the end of October the pace of seller additions to existing ABCP conduits would probably slow, and, certainly, the rate of establishment of new conduits would all but halt in response to reduced investor demand for ABCP. However, the market continued to be quite robust in the fourth quarter, with a record number of 23 new ABCP conduits rated (see *Figure 2*) and ABCP outstandings rising to over $500 billion. Of note, nine of the 16 conduits

1 Throughout this article, the term "outstandings" refers to average daily quarterly ABCP outstanding, as opposed to outstanding ABCP at a particular point in time.

Figure 2

Number of ABCP Programs Established Per Quarter

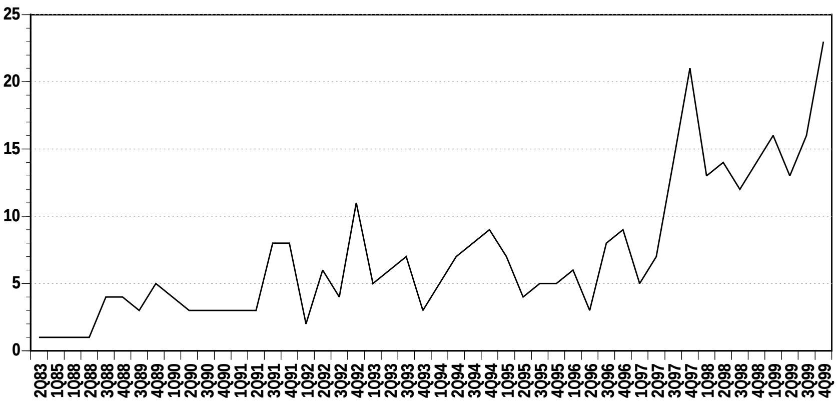
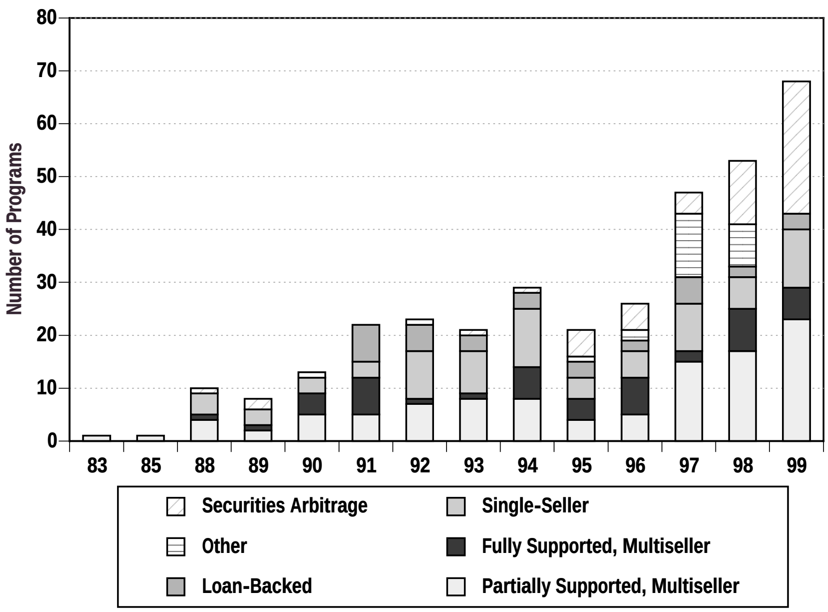


Figure 3

Number of ABCP Programs Established Per Year by Program Type



established in the third quarter, and six of the 23 new conduits established in the fourth quarter, were established by non-US domiciled banks. This evidences the heightening interest in securitization in the European, Japanese and Australian markets. For detailed discussions of European and Australian ABCP market activity in 1999, see Moody's Special Comments on those two markets in this edition of *Moody's Global ABCP Market Review*.

Securities Arbitrage Programs Continue to Dominate New Conduit Originations

As Moody's reported in last quarter's ABCP Market Overview, the largest change in the ABCP market's program mix over the previous 18 months had been in the securities arbitrage segment, which was the fastest growing segment of the market. This trend intensified in the third and fourth quarters of 1999, and is likely to continue into the new millennium. Of the 16 programs established in the third quarter and 23 new programs established in the fourth quarter, securities arbitrage programs represented three and eight of the respective totals. As *Figure 3* indicates, as the number of new ABCP programs established has mushroomed over the past three years, so has the predominance of securities arbitrage programs, which accounted for roughly 8% of the 47 programs established in 1997, 22% of the 53 programs established in 1998 and 36% of the 68 programs established in 1999. There are also several new securities arbitrage programs in Moody's ratings pipeline that are scheduled to come to market in the first and second quarters of 2000.

In addition to the eight new securities arbitrage programs established in the fourth quarter, several existing partially supported, multiseller conduits were amended to add securities purchasing capabilities. These conduits include ING Barings (U.S.)'s Mont Blanc Capital Corporation, Nesbitt Burns' Fairway Finance Corporation, Bankgesellschaft Berlin's BEST Funding Limited, and Royal Bank of Scotland's Loch Ness Limited. Now the vast majority of multiseller ABCP conduits have the ability to buy individual rated asset-backed securities or portfolios of these securities. Credit enhancement levels for such securities purchases in partially supported, multiseller programs range from 0% to approximately 15%, depending on the credit quality of the assets purchased and the structure of the program.

Financing of Synthetic Lease Structures Gained Popularity in the Second Half of 1999

Synthetic leases were first financed in the ABCP market in the mid-1990s by Citibank. At that time, Citibank financed synthetic lease transactions through a few of its conduits using a creative structure that mitigated the risk of a single obligor exposure that defines this asset class.[2] Since the mid 1990's, only a handful of conduits, other than Citibank's Charta Corp. and CXC Inc., financed synthetic leases because of this single obligor exposure risk. However, in recent

2 Synthetic leases are essentially secured loans to single obligors that are structured as leases. Typically, synthetic lease transactions are used to finance a major capital acquisition by a company, such as an office building. The company does not want to have either the asset or the debt on its balance sheet, and through the synthetic lease structure has only a lease obligation for the term of the lease that is structured so that it can be treated as an operating lease by the lessee. Like other operating leases, a synthetic lease has a purchase and renewal option at intermediary points of the lease, and a balloon payment that is analogous to a residual at the termination of a lease. At each renewal and termination state, a recourse amount is established to both the lessee and the lessor. The lessee recourse amount is set at a maximum amount allowed for operating lease treatment per FASB 13. The lessor (in this case the ABCP conduit) takes the credit risk of the lessee for the stream of lease payments plus the amount of any lessee recourse obligations at any renewal or termination period.

months, synthetic lease deals have begun to find homes in other multiseller ABCP programs that have been able to mitigate the single obligor exposure risk in creative ways. For instance, in just the fourth quarter of 1999, both Dresdner Bank's Beethoven Funding Corp. and Bank of Nova Scotia's Liberty Street Funding Corp. added synthetic lease structures to their portfolios. In addition, Bank of America established Hatteras Funding Corp. in November of 1999 for the primary purpose of financing synthetic lease structures. To date, Hatteras has financed six such transactions and continues to build its synthetic lease portfolio. Hatteras mitigates the single obligor exposure risk by fully supporting the transactions with liquidity facilities. Moody's expects that transactions in this asset class will be seen in greater numbers in the ABCP market in 2000.

THE SEARCH FOR ALTERNATIVE SOURCES OF LIQUIDITY CONTINUES TO PREOCCUPY THE MARKET

As Moody's has reported in several ABCP Market Overview articles over the past year, third-party liquidity support for ABCP programs continues to become increasingly expensive and more difficult to find. In fact, many market participants predict that unresolved liquidity restraints will ultimately lead to a slowdown in the growth of asset originations and, therefore, ABCP outstandings. In reaction to this shortage, ABCP program sponsors have continued to develop new and creative means of providing liquidity to their conduits. As reported in last quarter's ABCP Market Overview, alternative sources of liquidity include harnessing the value of a program's assets in the securities arbitrage programs, signing up insurance companies as providers of liquidity, and increased popularity of the club deal. There has also been a greater use of liquidity notes (sometimes referred to as extendable commercial notes, or ECNs) with the launching of Bank One's Lake Front Funding Company LLC, Alliance Capital Management's ASAP Funding Limited and MBNA's Emerald Certificates Program. Although the use of liquidity notes, or ECNs, can reduce the need for third-party liquidity in some ABCP programs, they may not be available to every issuer depending on the structure of the ABCP program. Further, these methods are not currently favored by sufficient numbers of investors to alleviate, in any real way, the so-called "liquidity crisis."

In response to these limitations on the current methods for reducing the needed amount of third-party liquidity, some issuers are taking new and unusual approaches to evaluating the need for third-party liquidity in their programs. Unfortunately, none of these new approaches are likely to be seen in the marketplace until very late in the year.

Y2K GLITCHES DID NOT IMPACT ABCP PROGRAMS' CREDIT QUALITY

As predicted by Moody's and many other market participants, with the turn of the millennium no Y2K issues arose to threaten the credit quality of, or even cause minor disruptions to, any ABCP program. Any issues programs may have had with seller compliance were resolved without incident and without increased defaults. ABCP program sponsors' systems functioned without significant glitches.

HAPPY ENDING FOR BRAVO TRUST SERIES 1997-1 CLASS A CERTIFICATE HOLDERS

In August 1999, in a series of downgrades Moody's lowered the rating on Bravo Trust Series 1997-1 Class A from **Prime-1** to **Not Prime**. These downgrades paralleled a series of reductions in the rating of Integrity Life Insurance Company ("Integrity Life"), which provided credit enhancement to the transaction. The downgrades of Integrity Life were prompted by concerns over the company's ability to meet the demands of short-term funding agreements, as well as financial difficulties at its parent, ARM Financial Group. In November, all of the Bravo certificates, including the subordinated certificates, were paid out at par with no loss to investors. At this point, there has been no request by the insurance regulator overseeing the affairs of Integrity Life for the Bravo Trust to return any payment made to the trust by Integrity Life.

HOW BIG CAN THE ABCP MARKET BECOME? PREDICTIONS FROM THE MARKET PROS

Moody's polled some of the leading market participants for their predictions of the size of the ABCP market by year-end 2000. The consensus appears to be that outstandings will grow to approximately $600 billion, representing a growth rate of roughly 20% from estimated 1999 year-end outstandings of $500 billion:

Market Participant	Estimate ($ billions)
Goldman, Sachs & Co. (Randy Harrison)	$600
Lehman Commercial Paper Inc. (Kyle Miller)	$625
Merrill Lynch Money Markets Inc. (Stewart Cutler)	$650
Morgan Stanley & Co. Inc. (Janice Murray)	$600
Salomon Smith Barney Inc. (Allisen Wolever)	$600
Moody's (Maureen Coen)	$575

Figure 4
Ten Largest ABCP Program Administrators[1]
3Q99 Average ABCP Outstandings

Administrator	$ Millions	Market Share (%)
Citibank	61,354	12.6
Bank One, NA	28,468	5.8
ABN AMRO Bank N.V.	27,079	5.6
Chase Manhattan Bank	22,981	4.7
Bank of America N.A.	22,753	4.7
Societe Generale	21,647	4.4
CIBC	20,656	4.2
Gordian Knot Ltd.	13,921	2.9
General Electric Capital Corp.	13,858	2.8
Deutsche Bank	13,561	2.8
All Other	240,568	49.5
Total	**486,846**	**100.0**

1 Moody's believes that Liberty Hampshire may be among the top ten administrators, but we do not have reliable market information on their outstandings.

PROGRAM ADMINISTRATORS: SOME CHANGES IN THE TOP TEN LIST

There have been some changes in the list of the top ten ABCP program administrators from the second quarter of 1999, as indicated in *Figure 4*.

First, Gordian Knot Ltd., which sponsors the Sigma Finance Inc. and Sigma Finance Corp. securities arbitrage programs (one arm issues ABCP and MTNs in the euro markets, the other arm issues in the US market), is back on the list at number eight, with 2.9% of the market, after several quarters off the list.

Second, Deutsche Bank, which was not on the list for the second quarter of 1999, is back on with a 2.8% share of the market. Deutsche Bank is commonly one of the top ten adminstrators.

The two administrators that appeared in the second quarter top ten list but were replaced this quarter by Gordian Knot and Deutsche Bank are ING Barings (U.S.) and Rabobank Nederland.

PRESS COVERAGE OF NEWLY ESTABLISHED ABCP PROGRAMS

The attached Appendix contains press releases for recently established Prime-rated ABCP programs (press releases are in alphabetical order by name of program). More detailed research reports on each program will be forthcoming.

Moody's disseminates rating actions by Moody's ABCP Group weekly. Each Thursday, Moody's issues a press release that summarizes the various rating actions taken on ABCP programs during the previous week. In addition to the weekly press release, Moody's issues separate press releases on rating actions taken on new ABCP programs and rating actions on existing programs following major events, such as program restructurings. The weekly press release is available at www.moodys.com for three days following its issuance.

APPENDIX

MOODY'S ASSIGNS PRIME-1 RATING TO ARCADIA FUNDING CORPORATION

New Yen CP Program Fully Supported by Bank of Tokyo-Mitsubishi (Program Size: JPY 200 billion)

New York, February 23, 2000 -- Tokyo, February 24, 2000 -- Moody's Investors Service assigned a **Prime-1** rating to Arcadia Funding Corporation (Arcadia) for its fully supported Japanese Yen commercial paper program. The rating is based on: 1) the liquidity facility provided by The Bank of Tokyo-Mitsubishi, Ltd. (BTM, rated **A2**/**Prime-1**/**D+**); 2) appropriate procedures for liquidity drawdowns and account management; and 3) the bankruptcy remoteness of the CP issuer.

Arcadia, a bankruptcy-remote special purpose company established in the Cayman Islands, will issue yen-denominated commercial paper in the Japanese market. Proceeds from the sales of yen commercial paper notes will be used to purchase yen-denominated trade receivables, commercial and consumer loans, and ABS. Timely and full repayment of the commercial paper notes is assured by the liquidity provided by BTM.

The Bank of Tokyo-Mitsubishi, Ltd.'s long-term deposits and debts are rated **A2**, short-term deposits rated **Prime-1**, and its financial strength rating is **D+**. BOT Lease Co., Ltd., an affiliate of BTM, is the Management Agent for Arcadia.

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MOODY'S ASSIGNS PRIME-1 TO ARMORIS FINANCE SA, A NEW FULLY SUPPORTED ABCP PROGRAM SPONSORED BY CREDIT COMMERCIAL DE FRANCE AND BAYERISCHE LANDES-BANK (PARIS BRANCH)

Approximately Euro 750 million of Debt Securities Affected.

Paris, December 17, 1999 -- Moody's assigned today a **Prime-1** rating to ARMORIS Finance SA, a newly established asset-backed commercial paper program sponsored by Credit Commercial de France and Bayerische Landesbank Girozentrale (Paris Branch).

ARMORIS Finance SA is a single-seller ABCP program fully supported by a liquidity facility provided by Credit Commercial de France (**Aa3**/**Prime-1**/**B**) and the Paris Branch of Bayerische Landesbank Girozentrale (**Aaa**/**Prime-1**/**C**).

Moody's said the **Prime-1** rating is based on (i) the creditworthiness of the liquidity banks CCF and BLB, both rated **Prime-1**, (ii) the soundness of the structure and (iii) the bankruptcy-remoteness of ARMORIS Finance SA, the issuer.

ARMORIS Finance SA will use the proceeds of issuance of Billets de Tresorerie (the French ABCP instrument) to refinance the acquisition of the Fonds Commun de Creances (FCC) Units issued by a newly established FCC, itself set up to acquire a Euro 750 million bank loan granted by CCF and BLB to Pinault Printemps Redoute (PPR). Liquidity banks have committed to provide funding to ARMORIS, in case it is unable to roll over ABCP to repay the maturing ABCP; the sole "out" of the liquidity facility is the bankruptcy of the issuer. However Moody's views this risk as consistent with a **Prime-1** rating in view of the bankruptcy-remoteness of the issuer. The liquidity facility could be syndicated to other **Prime-1**-rated banks, subject to Moody's confirmation of the rating of the ABCP.

The issuer, ARMORIS Finance S.A., is a French bankruptcy-remote SPC. The program is managed by Credit Commercial de France.

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MOODY'S ASSIGNS RATINGS TO FIVE FINANCE CORPORATION AND ITS SUBSIDIARY FIVE FINANCE INC.

Up to $12,000,000,000 (programme amount) of Debt Securities Affected.

London, November 23, 1999 -- Moody's Investors Service has assigned long term credit ratings of **Aaa** and short term credit ratings of **Prime-1**, to the Euro Medium Term Note Programme and the Euro-Commercial Paper Programme of Five Finance Corporation, and to the U.S. Medium Term Note Program and the short term U.S. promissory note program of Five Finance Inc., its wholly owned subsidiary.

Five Finance Corporation ("Five") is a Limited Purpose Investment Company (LIPIC), which intends to build a diversified portfolio of eligible assets that will be funded by the proceeds of the rated programmes and by the issuance of income notes which are highly subordinated to investors in the rated programmes. The management of these activities, which include investment, funding and hedging strategies, have been contracted to Citibank International plc (rated **Aa2**, **Prime-1**).

Moody's noted that Five differs from previous LIPICs (such as Beta or Centauri Finance Corporations) in that the majority of its assets are expected to be non-investment-grade bonds and loans, rather than highly rated securities. Moody's is however comfortable with the ratings assigned to the programmes, as Five is expected to operate with substantially less leverage than other LIPICs. It also benefits from more conservative requirements regarding the minimum amount of liquidity that must be maintained by the Issuer, and from the continuing evolution of the risk management model used within the structure.

Moody's stated that the ratings assigned to the programmes were also supported by: (1) The eligibility criteria for assets purchased by Five; (2) interest rate and currency hedging requirements that aim to limit exposure to a narrow tolerance range; (3) the specific provisions within the structure governing the provision of liquidity via backstop facilities provided by **Prime-1**-rated banks, and highly liquid securities within the investment portfolio; (4) the experience of Citibank International plc in managing similar investment vehicles for over ten years; (5) the internal audit function provided by units within the Citibank group; and, (6) the defeasence process whereby the asset portfolio is liquidated or run off under the control of the security trustee, if various enforcement events occur.

Five Finance Corporation is incorporated in the Cayman Islands, while its wholly owned subsidiary, Five Finance Inc., is incorporated in Delaware. Citibank International plc (rated **Aa2**, **Prime-1**) is an English company that is part of the Citigroup Inc.

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MOODY'S ASSIGNS PRIME-2 RATING TO HUB ASSET FUNDING'S ABCP PROGRAM

Fully Supported Domestic Yen ABCP Program Sponsored by LTCB (Authorized Amount: JPY 100 Billion; Program Size: JPY 100 Billion)

Tokyo, December 20, 1999 -- Moody's Investors Service assigned a **Prime-2** rating to HUB Asset Funding Limited, Tokyo Branch ("HUB") for its fully supported Japanese Yen asset-backed commercial paper program. The rating is based on: 1) the back-up line agreement entered into between the CP issuer and The Long-Term Credit Bank of Japan ("LTCB," rated **Prime-2** for its short-term debts), designed to assure full and timely payment of the maturing CP; 2) capability of LTCB Trust & Banking Co., Ltd. as the issuer's administrative agent responsible for drawing loans from LTCB under the back-up line agreement; and 3) the bankruptcy- remoteness of the CP issuer.

The issuer is a Tokyo branch of a special-purpose company established in the Cayman Islands. Proceeds from the sales of the yen commercial paper notes sold in the Japanese market will be used to purchase primarily trade receivables from various sellers.

LTCB will not fund under the back-up line agreement if the issuer were to go into bankruptcy. Fully supported CP programs under which the support provider funds only when the CP issuer is not bankrupt are viewed as to be structurally weaker than fully supported CP programs where full and timely payment of maturing CP is assured by support to be provided on an unconditional basis. However, if the bankruptcy- remoteness of the CP issuer is sufficiently minimized, programs relying on support with bankruptcy outs can also achieve a rating equivalent to that of the support provider.

As to HUB, bankruptcy-remoteness of the CP issuer is minimized to a level consistent with the **Prime-2** rating assigned to the program by: 1) the restrictions imposed on the issuer's activities; 2) the expense arrangements with LTCB; and 3) the mechanism of the back-up line agreement, under which LTCB agrees to refinance if the issuer does not have enough money to repay the loans drawn under the back-up line agreement. Full and timely redemption of maturing CP is also assured by the CP notes settlement system in Japan, where CP notes are categorized as promissory notes.

The Long-Term Credit Bank of Japan's long-term deposits and unsecured debts are rated **Baa2** and **Baa3** respectively, its short-term deposit and debt ratings are **Prime-2**, and its financial strength rating is **E**. The **Baa2**/**Baa3**/**E** ratings are currently under review for possible upgrade. LTCB Trust & Banking Co., Ltd., the Administrative Agent for HUB, is a wholly owned subsidiary of LTCB.

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MOODY'S RATES NEWBURY FUNDING CBO I LTD.

$540 Million of Asset-Backed Commercial Paper and $187.5 Million of Medium Term Notes Rated

New York, February 17, 2000 -- Moody's Investors Service assigned a **Prime-1** rating to the asset-backed commercial paper (ABCP) program, and long-term **Aa1** ratings to the Class A-1, A-2 and A-3 Notes issued by Newbury Funding CBO I Ltd. ("Newbury"), sponsored by Colonial Advisory Services, Inc. ("Colonial"). The newly created Newbury is a partially supported, market value program, which will purchase government, corporate, mortgage-backed or asset-backed securities and will fund the purchases by the issuance of ABCP, the Class A Notes, and unrated Class B-1 and Class B-2 Preferred Shares.

RATING OPINION

The ratings of the Newbury securities are based on the program's well-defined eligibility criteria and its daily mark-to-market requirement for the securities by independent third parties; the ability of Colonial as investment manager; the oversight provided by a trustee and an administrator who are independent of the investment manager; and certain structural protections against the bankruptcy of Newbury.

Everett Rutan, a Moody's Senior Credit Officer, said that the **Prime-1** rating of the ABCP facility is also based on the amount of the credit enhancement, which is in the form of overcollateralization; the requirement to terminate the program if the market value of the securities declines below a certain level; and the liquidity facility equal to 25% of outstanding ABCP provided by a group of **Prime-1**-rated banks.

Moody's vice president Lawrence Kwoh cautioned that the **Aa1** ratings assigned to the Class A notes address the specific promise of the note to pay investors interest only until the earlier of the occurrence of a termination event or the scheduled maturity date, and to pay principal by the final maturity date, as guaranteed by Bank of America N.A. (**Prime-1**/**Aa1**) as Class A swap counterparty. Investors should be aware that if a termination event were to occur immediately they would no longer be entitled to receive payments of interest.

CREDIT QUALITY OF SECURITIES

Investment in securities is subject to certain restrictions regarding the diversification of the portfolio and the rating of each security. All securities must be issued or guaranteed by the U.S. government, or rated at least investment-grade by 1 or more rating agencies. At least 30% of the total portfolio will be comprised of investments issued or guaranteed by the U.S. government or its agencies, or rated **Aaa**. A maximum of 30% of the portfolio may include **Baa**-rated securities. There are a variety of other quality and concentration guidelines to insure that the portfolio will be liquid.

The portfolio's sensitivity to changes in interest rate movements will be reduced through minimum and maximum duration requirements, both on the entire portfolio and on the individual securities. Volatility is further constrained by limits on the convexity of the portfolio and duration with respect to changes in spread to benchmark interest rates. At least 30% of the portfolio must be invested in floating rate securities. The Trustee also monitors the portfolio's adherence to the investment guidelines. Any deviation must be cured within 15 days.

TEN DAYS TO LIQUIDATE THE PORTFOLIO UPON SIGNIFICANT DECLINE IN ITS MARKET VALUE

All securities are marked-to-market daily. The market value of eligible securities is required to be at least $678.75 million, 90.5% of the total issuance, and approximately 125.69% of ABCP. If the market value of the portfolio declines below this level, the total portfolio must be liquidated in 10 business days. These proceeds will be used first to pay ABCP and any liquidity loans, and then to redeem the Class A Notes. The Class B Preferred Shares would be canceled. Moody's believes that the probability of a decline in the portfolio value from $678 million to below $540 million in a 10-day period is extraordinarily low due to the restrictions governing the investments, and is consistent with the **Prime-1** rating.

LIQUIDITY FACILITY AMOUNT IS LESS THAN ABCP AMOUNT

A liquidity facility is equal to 25% of ABCP and is provided by a group of **Prime-1**-rated banks. Because no more than 25% of ABCP may mature within any rolling 10 business day period and because of the liquid nature of the investments, the amount of the liquidity facility is viewed as satisfactory. If the program terminates for any reason, the liquidity facility will be used to pay maturing ABCP during the 10 business day period while the portfolio is being liquidated. The liquidity banks are not required to fund if Newbury is bankrupt or if the market value of the total portfolio falls below $594 million, which is 110% of ABCP. Any liquidity which may be needed during the 10-day liquidation period is drawn on the first day of that period. The probability of a decline in the portfolio value from $678 to $594 million in one day is extraordinarily low given the investment guidelines, and is consistent with the **Prime-1** rating.

RATED PROMISE AND PAYMENT PRIORITY

The Newbury portfolio must be liquidated within 10 business days of a termination event or prior to the scheduled maturity date. ABCP and the liquidity banks have the first claim on liquidation proceeds. If there are then insufficient funds to repay the accrued interest and principal amounts on the Class A Notes, the Class B Preferred Shares are canceled.

SWAP MAKES PAYMENTS ON NOTES

The Bank of America, as Class A swap counterparty, guarantees the payment of interest on the Class A Notes to the earlier of a termination date or the scheduled maturity date. The proceeds of the portfolio which are available to pay principal on the Class A Notes on that date are divided between the Class A-1 and A-3 Notes, on the one hand, and the Class A-2 Notes on the other, in proportion to their outstanding principal amounts. The Class A-3 Notes are subordinated to the Class A-1 Notes with respect to principal

payments. Any shortfalls in the amount available to pay principal are made up as follows:
- for the Class A-1 Notes, the swap counterparty makes up any shortfall and the notes are paid in full;
- for the Class A-2 Notes, no further interest payments are made, and zero-coupon US Treasury securities with a face value equal to the Class A-2 Note principal amount and with a maturity no later than February 2012 are purchased to defease the notes;
- for the Class A-3 Notes, no further interest payments are made, and zero-coupon US Treasury securities with a face value equal to the Class A-3 Note principal amount and with a maturity date no later than February 2030 is purchased to defease the note.

The swap counterparty makes up any shortfall necessary to purchase the defeasance securities. The Class A-2 and Class A-3 noteholders may choose to receive their pro rata share of the funds available in place of the defeasance securities.

The Notes promise to pay interest only to the redemption date and principal by the legal final maturity. MOODY'S RATING OF THE NOTES IS DIRECTED SPECIFICALLY TO THIS PROMISE, AND IS CLOSELY LINKED TO THE RATING OF THE BANK OF AMERICA AS CLASS A SWAP COUNTERPARY.

COMPLETE RATING ACTION

Issuer: Newbury Funding CBO I Ltd.

Asset-Backed Commercial Paper Program, Authorized Amount $540 million, rated **Prime-1**

$43.125 Million Class A-1 Notes due February 2005, rated **Aa1**

$50.625 Million Class A-2 Notes due February 2012, rated **Aa1**

$93.750 Million Class A-3 Notes due February 2030, rated **Aa1**

KEY PARTIES

Colonial Advisory Services, Inc., is located in Boston, MA, has approximately $995 million under management as of December 31, 1999. Colonial is part of the Liberty Financial Companies, which provide, through various subsidiaries, investment management and retirement oriented insurance products.

The Bank of New York will serve as Custodian, Collateral Agent, Administrator, Issuing and Paying Agent and Indenture Trustee. Moody's rates The Bank of New York **Prime-1** for short-term deposits and **Aa3** for long-term deposits. The bank's financial strength is **C+**.

The Bank of America, N.A., is the Class A Swap Counterparty and Liquidity Agent. Moody's rates Bank of America, N.A., **Prime-1** for short-term deposits and **Aa1** for long-term deposits, with a bank financial strength rating of **B+**.

The following banks, which are all rated **Prime-1** by Moody's, have commitments under the liquidity facility: Bank of America, NA; The Bank of New York; Citibank, NA; and Fleet Bank.

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