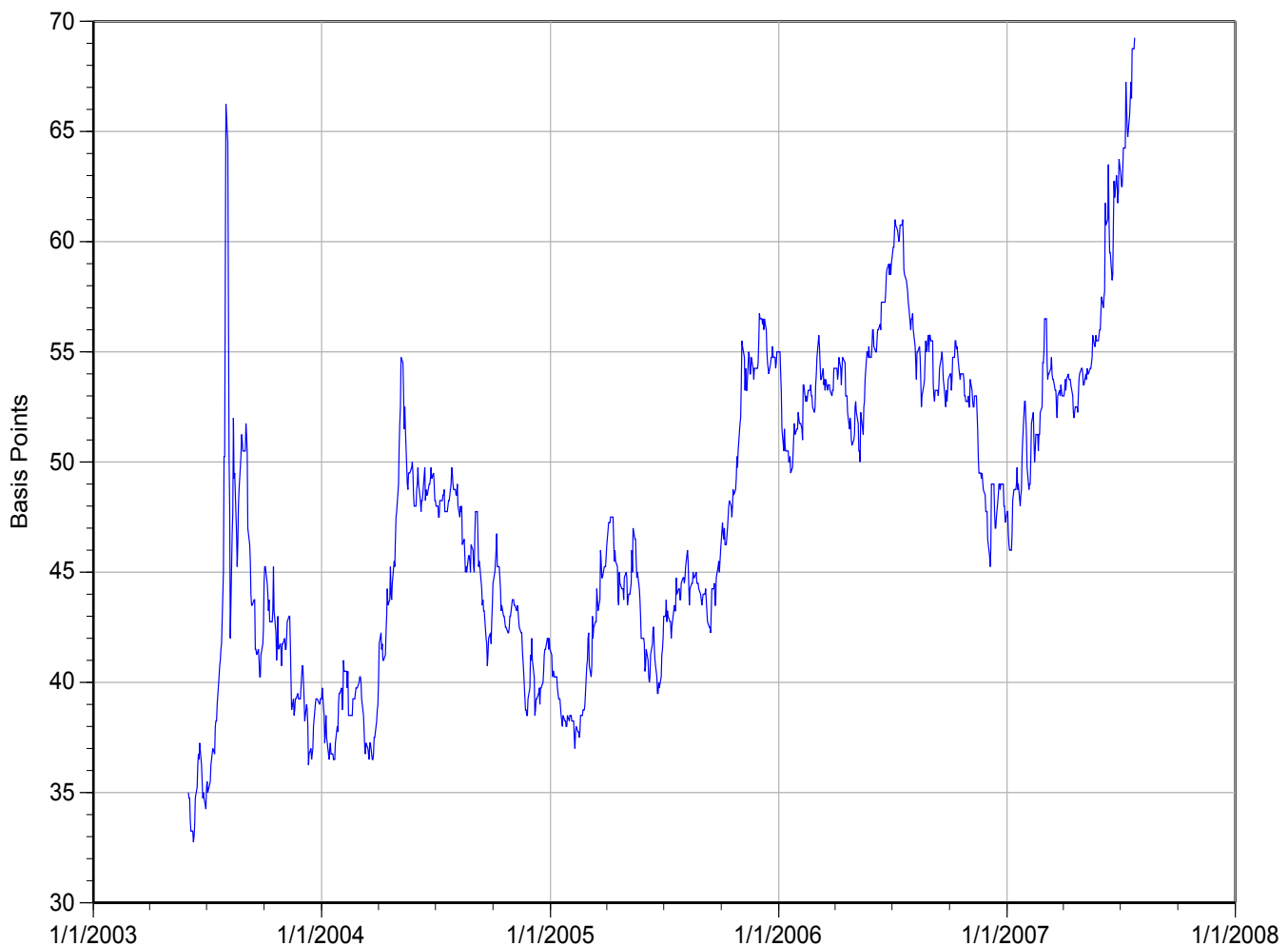

INTEREST RATE MANAGEMENT

Well, well, well...risk seems to be undergoing a reevaluation. It seems that some happy homeowners can't make their mortgage payments. That, of course, makes them—as well as the owners of the secured paper—less than happy. Then there are buyers of companies that like to use a lot of debt, i.e., somebody else's money instead of their own, to buy the companies. Whenever things go according to plan, everybody ignores risk. When things don't go according to plan, risk becomes reevaluated.

The TED spread...this means the relationship between U.S. Treasuries (T) and the equivalent maturity swap rates (ED: Eurodollar)...is a measure of this risk. The graph below outlines 10-year mid-market semi-annual bond basis swap spreads...oh...

10-Year Swap Spreads (Mid)

June 2, 2003 – July 24, 2007



As you can see, the current TED spread is as wide as it's been over the last four years.

Most lenders that provide long-term financing have references to the TED spread in order to price for and control risk.