

Confidential

Presentation to:

Financial Control Group

SUPER SENIOR CONTINGENT CREDIT OPTION PROGRAM FOR HIGH GRADE ABS CDO

May 2006

Table of Contents

- 1 INTRODUCTION
- 2 SUPER SENIOR CONTINGENT CREDIT OPTION PROGRAM
- 3 SUPER SENIOR CONTINGENT CREDIT OPTION ANALYSIS
- 4 TIERRA ALTA ABS CDO, LTD.
 - A. Outstanding Super Senior Credit Option Exposure
 - B. CP Trading History

1 INTRODUCTION

Introduction

- ▶ Citigroup has pioneered an enormously successful High Grade ABS CDO business.
- ▶ For each High Grade ABS CDO, the most senior 85-90% of the capital structure is financed in the Asset-Backed Commercial Paper (“ABCP”) market.
- ▶ Citibank, N.A. provides a CP contingent credit option backstop that enables the ABCP to be rated.
- ▶ Citigroup retains a contingent obligation to fund either ABCP or term notes (the “Funding Notes”) in certain circumstances and thus may have “super senior” credit risk on the underlying portfolio.
- ▶ Since the closing of the first High Grade ABS CDO in the summer of 2003, Citigroup has provided CP contingent credit option backstops with a combined notional of approximately \$25 billion.
- ▶ All of the CP programs have been trading at or around LIBOR flat since the inception of the program.

2 SUPER SENIOR CONTINGENT CREDIT OPTION PROGRAM

General Put Mechanics

THERE ARE FOUR WAYS IN WHICH CITIBANK MAY BE CALLED UPON TO FUND UNDER THE SUPER SENIOR PUT. A DESCRIPTION OF THESE FOUR POSSIBILITIES AND THE CONSEQUENCES OF EACH FOLLOWS:

- #1. The ABCP in these programs trades T+2, so marketing occurs two days before the day the ABCP must roll. If the Issuer cannot place the ABCP at a spread less than the trigger rate (e.g., 30-40 bps):
- Citibank will receive two days notice that a failed remarketing has occurred.
 - On the settlement date (two days later) Citibank will buy ABCP with a term of five days at a rate equal to the trigger rate.
 - Three days later the ABCP will be remarketed. If it can be sold into the market at a spread less than the trigger rate it will roll on maturity to the market.
- #2. If a trade has been made T + 2, but on the settlement date the trade fails:
- Citibank will receive several hours' notice of a settlement failure.
 - Citibank must buy the ABCP for a term of five days at a rate equal to the trigger rate.
 - Three days later the ABCP will be remarketed. If it can be sold into the market at a spread less than the trigger rate it will roll on maturity to the ABCP market.

General Put Mechanics (continued)

#3. If Citibank decides not to renew the Super senior Put Agreement on its annual expiration date:

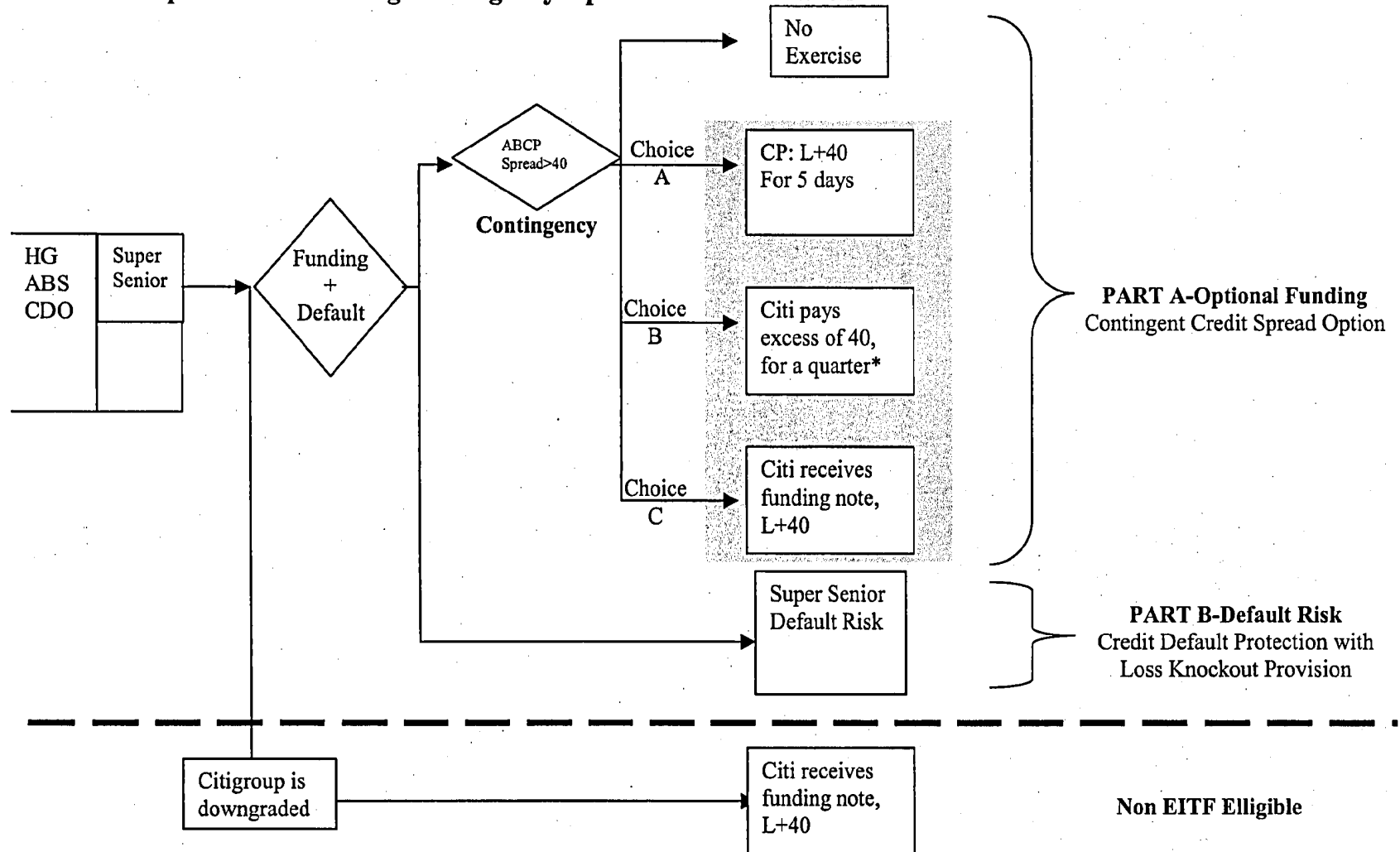
- Citibank will have 20 –30 days' notice that Funding Notes will be issued.
- On the expiration date of the Super senior Put Agreement, Funding Notes will be issued with a principal amount equal to the principal component of the outstanding ABCP, a spread equal to the trigger rate and a maturity equal to the transaction's maturity (e.g., 2039).
- Citibank will buy the Funding Notes at par; and the proceeds will be used to redeem the ABCP as it matures.
- Funding Note issuance is a one-time event. Citibank will own the Funding Notes to term unless Citibank sells the Funding Notes to other investors.

#4. If Citibank's long-term rating is downgraded below:

- Aa3/AA-
 - Citibank has an option of replacing itself with a suitable counterparty or posting collateral sufficient to guarantee its obligations under the Super senior Put Agreement within 10 business days.
 - A1/A-
 - Citibank must replace itself with a suitable counterparty within 30 business days.
 - If either of the above occur and Citibank fails to replace or collateralize as described, a Downgrade Condition occurs and Citibank must buy ABCP with a term of five days and a rate equal to the trigger rate.
 - Assuming the condition is not cured, Citibank must continue to buy this ABCP rolling for five days until the Super senior Put Agreement expires. The Issuer cannot renew the put if a Downgrade Condition is in effect.
- If the Put Agreement expires when the Downgrade Condition is in effect, then the Funding Notes will be issued and the steps outlined in #3 will apply.

3 SUPER SENIOR CONTINGENT CREDIT OPTION ANALYSIS

Decomposition of Funding Contingency Option and Default Risk



*Tierra Alta Only

Summary:

Super Senior Contingent Option can be decomposed into two main parts: (a) contingent, out-of-money credit spread option and (b) credit default protection. For Tierra Alta, market and model analysis show that part (a) valuation is less than 1.7 bps; and part (b) valuation is less than 7 bps, on an annual basis. In sum, the contract is marked at less than 8.6 bps per annum.

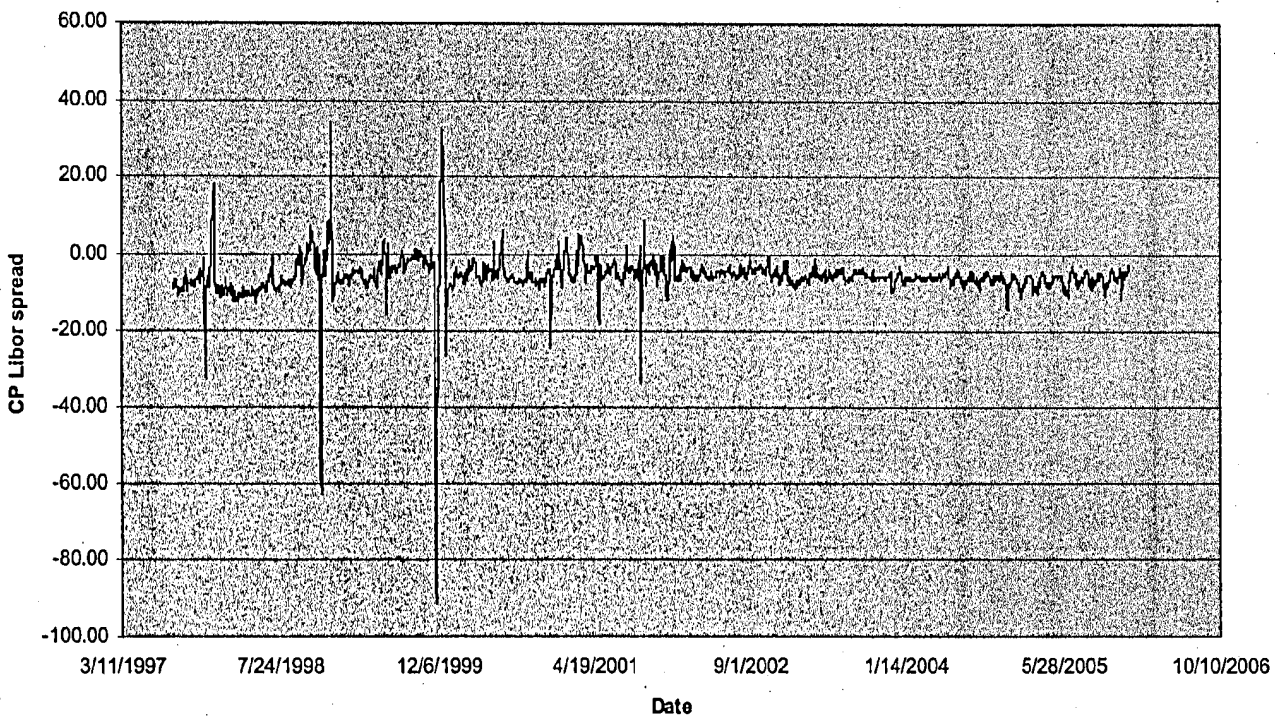
More Analysis:**(a) Contingent out-of-money Credit Spread Option**

- Please refer to the booking memo provided for the information on the CP Put Option.
- A barrier up-and-in credit spread option model are used in the analysis. The academic background is in the Hull and White (2003)

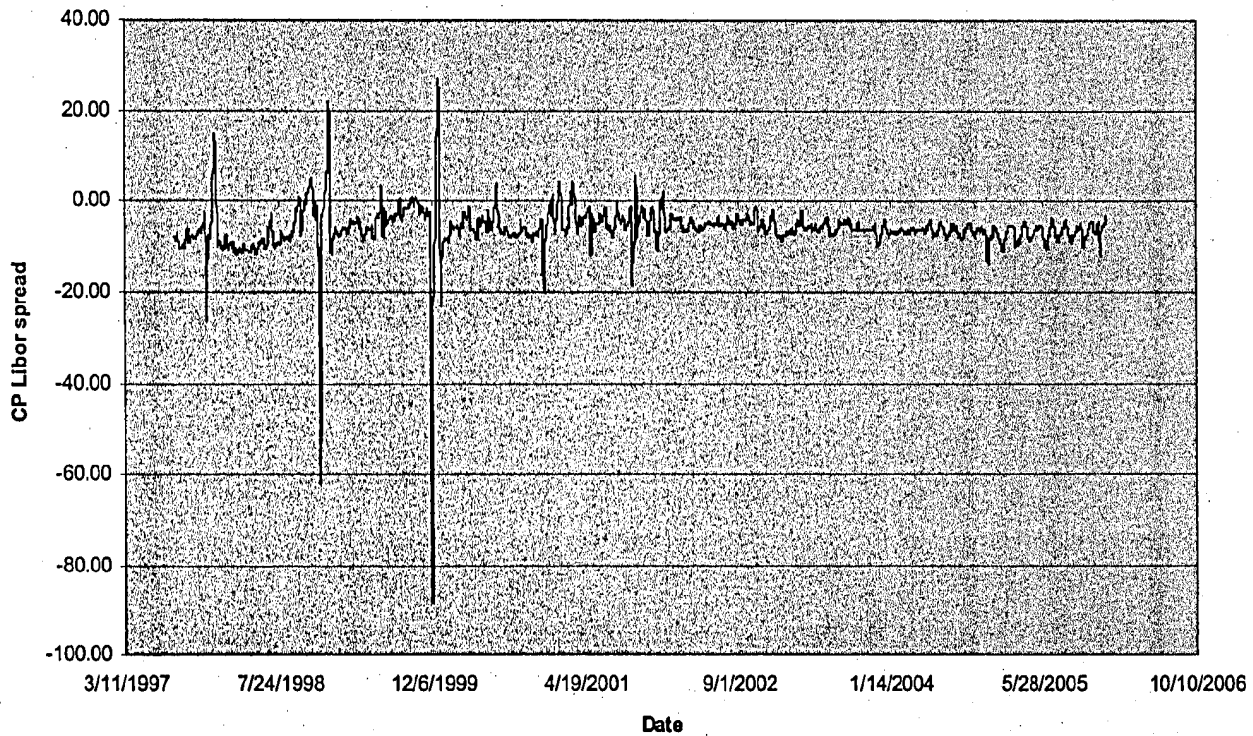
(b) Credit Default Protection

- Market quote is less than 7 bps for CDS on super senior positions of corporate credit index. For example, on IG6 index, 30% to 100% super senior layer, 5Y Tenor CDS spread is 2.75 bps, 7Y Tenor CDS spread is 3.25 bps, 10Y Tenor CDS spread is 5.75 bps.
- A recent Super senior CDS hedge on HG ABS CDO that CDO group bought protection is quoted at 6.5 bps per annum, on \$2.1 Billion.
- Models based on Merton (1974) and others show that the CDS spread for the super senior is below 7 bps, under a set of conservative parameters assumptions.
- Super Senior Contingent Option Program has collateral loss-knock out provisions that further protect Citi from credit risk compared with regular CDS contract conditions.

A1+/P1 ABCP Daily Spread



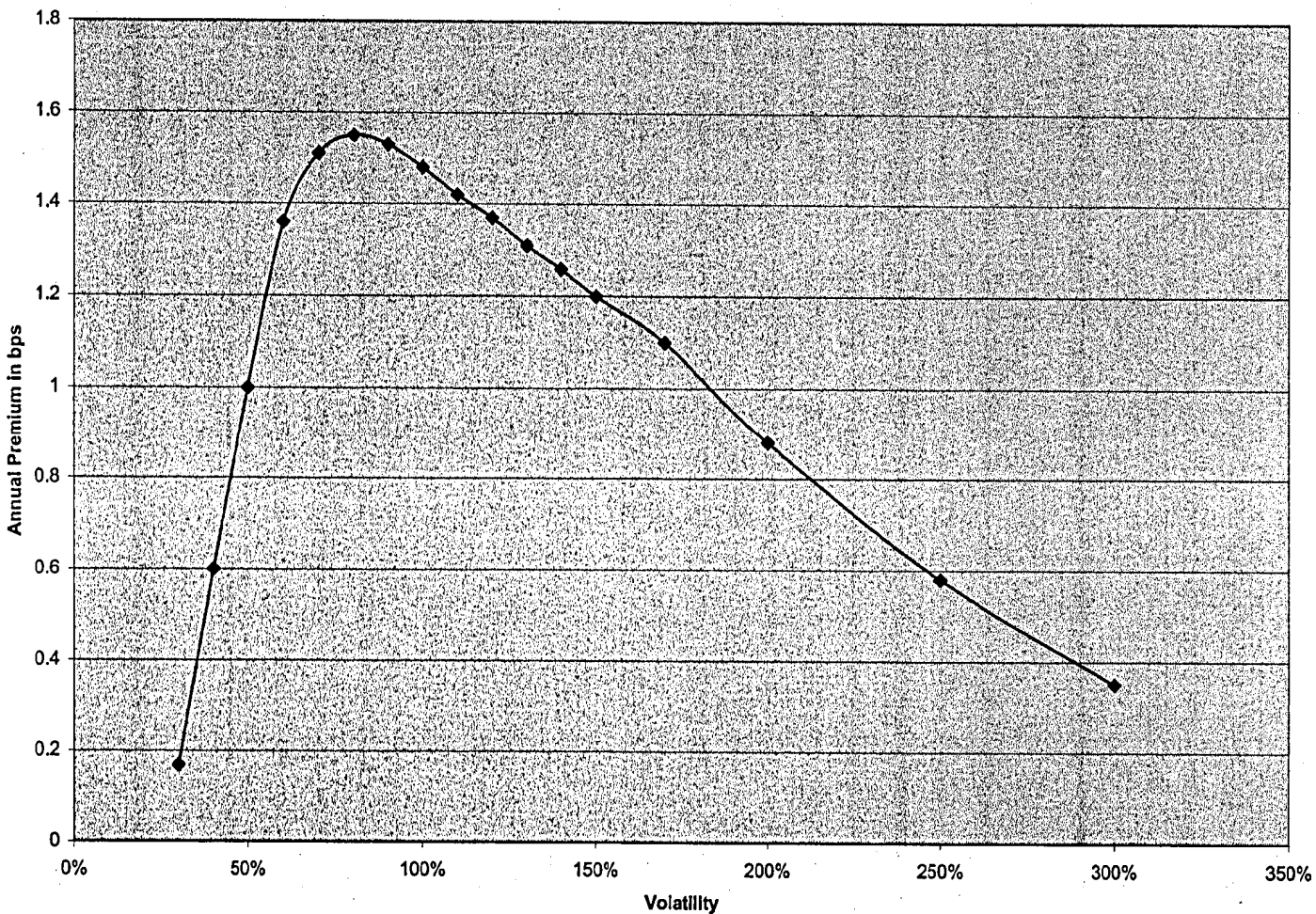
3 Days Moving Average A1+/P1 Spread over Libor

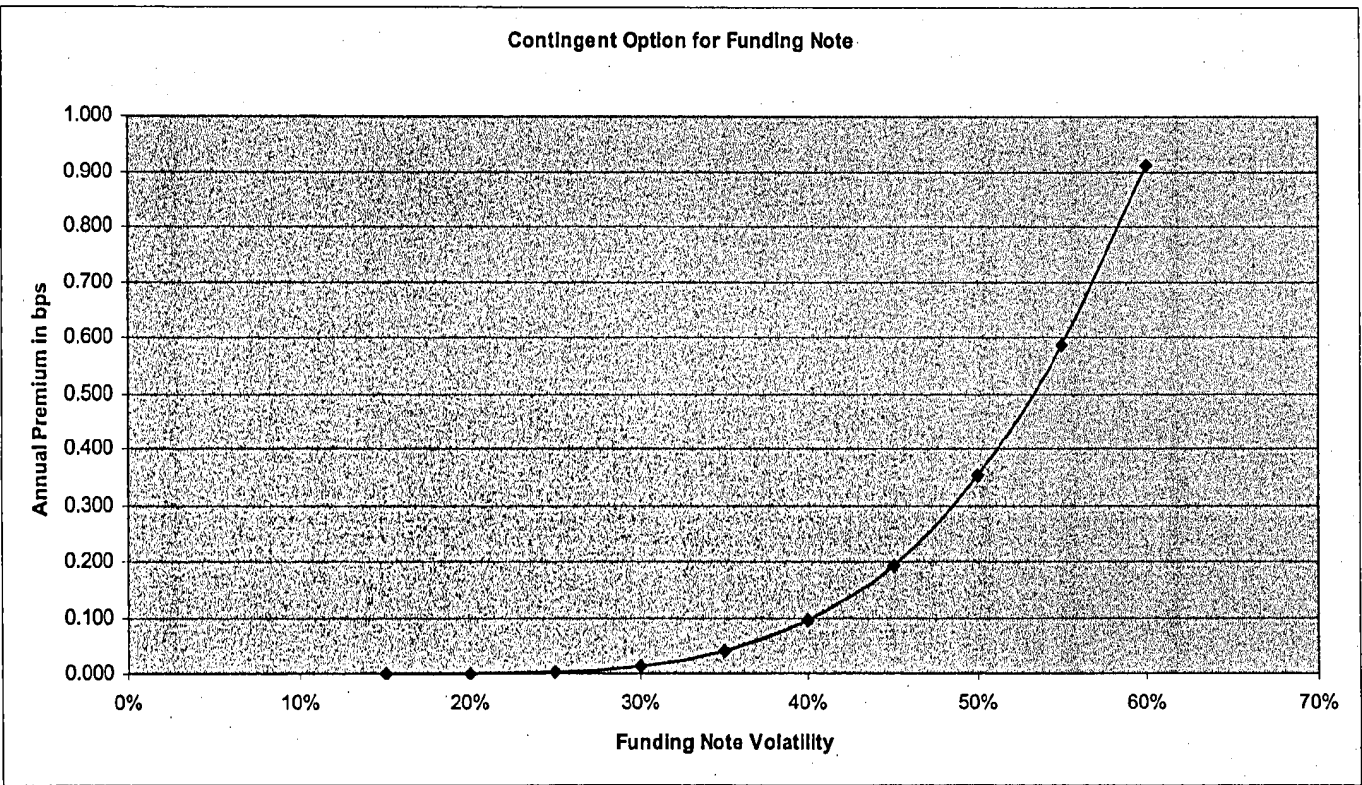


Contingency Analysis: ABCP Spreads to 1-Month Libor Historical Data

ABCP Spreads to 1-Month LIBOR	
Time Period: 8/14/97 to 12/31/05	
# of Observation	2096
A-1+/P-1 ABCP	
Mean	-5.78
Std	6.08
Max	33.70
99.99%	33.28
99.9%	28.95
99%	5.56
95%	0.34
90%	-1.75
75%	-4.32
50%	-5.87
25%	-7.31
10%	-9.06
5%	-10.16
1%	-14.95
Min	-91.31

Contingent CP Option Premium in bps, per annum - When CP is Outstanding





Why Contingent Credit Option Program is NOT a ABCP Liquidity Program

	Super Senior Contingent Credit Option Program	ABCP Liquidity program
Collateral	Granular (150+ positions), primary AAA and AA rated portfolio (at least two ratings) with no variability of the timing of interest collections interest Non-PIKable Many assets type and rating constraints.	Loans: consumer loans, commercial loans, trade receivables, credit cards, equipment leases Loan's Interest cash flow can delay Shadow rating BBB, A
Contingency	Yes, see below	None, on-call revolver standard liquidity agreement
Option Strike	(a) CP spread over Libor + 35bps for two days before Citi step in (b) Citi has option to NOT buy CP and instead only pay EXCESS over L+35 (c) Funding Note L+35: Citi's choice to buy; except Citi is downgraded	on call any time to provide liquidity to the program, for interest, and asset mismatch (a) Secondary market agreement, Conduit has the right to sell assets to sponsor at any time (b) General Liquidity Program, multi-time exercise, revolving liquidity facility
# of Exercise	Citi's choice of (a), (b), (c)	Multi-time exercise, liquidity revolver
Credit risk	Yes	Yes
Credit risk	Super senior layer, super AAA.	(a) Secondary market agreement, future risk of dilution is transferred to liquidity providers (b) General liquidity program: partial supported, credit wrap covers 10% of ABCP, after Overcollateralization and subordination (c) Liquidity provider absorbs risk related with bankruptcy of sellers
Reference Asset	15% subordination.	
Knock-out	Yes Once cum losses from asset defaults > 7.5%, Put terminates.	Yes Event of default, or breach of warranty, credit enhancement is reduced to a level
History	NO exercise for a three years period	several cash exchange during the years
*Citi Option (b)	To minimize funding during short-term disruptions, Citi has option to NOT buy CP and instead only pay EXCESS over L+35. Then Citi gets any advance back in future periods at super senior point in waterfall. Any advances earn L+15bps interest	

4 TIERRA ALTA ABS CDO, LTD.

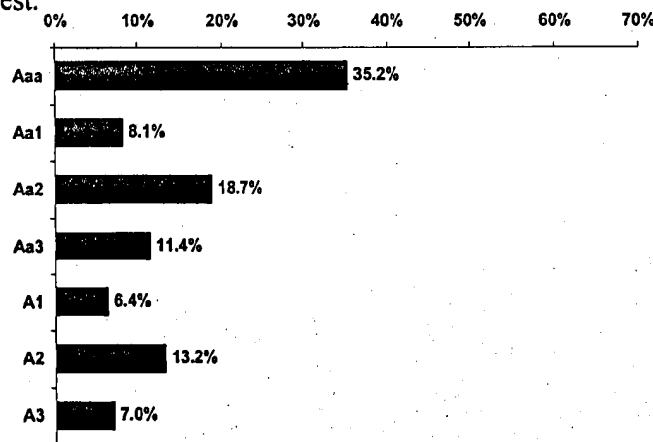
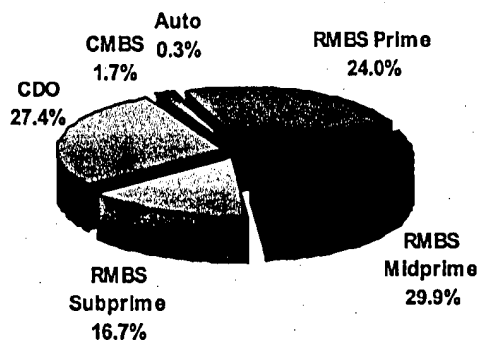
I. Deal Summary

Issuer	Tierra Alta ABS CDO, Ltd.
Trade Date:	03/28/2006
Settle Date	03/30/2006
Manager	Highland Capital Management L.P.
Structuring Team	Brian Stoker Chaka Wade Marek Trosczynski

Class	\$MM	%	L + %
ABCP	2,125.0	84.8	NA
A-1	90.0	3.6	L + 0.43%
A-2	155.0	6.2	L + 0.53%
A-3a	47.6	1.9	L + 0.62%
A-3b	2.4	0.1	5.715%
B-1a	27.9	1.1	L + 1.70%
B-1b	2.1	0.1	6.795%
C	22.0	0.9	L + 3.50%
Pref.	35.0	1.4	NA
Total	2,507.0	100.0	

II. Investors

The ABCP is continuously sold into the ABCP market by the CP Placement Agents on behalf of the Issuer and Co-Issuer. The Manager is expected to purchase 80% of the Preferred Shares on the Closing Date. Mary Ann DiMaggio will be able provide a full list of investors for the term notes upon request.



III. Collateral

The collateral composition is reflected in the charts above. The collateral was purchased at the direction of the Manager and held by the Manager until the closing date. On the closing date, the collateral will be sold to the Issuer. None of the assets will be transferred onto the books of Citigroup.

IV. Deal Termination Provisions

The notes are scheduled to mature on February 5, 2046 unless redeemed prior. Early redemption can occur due to a mandatory Auction Call Redemption (02/05/2014) or an Optional Redemption during the Call Period commencing in 02/2011. Furthermore, the transaction can terminate before the Scheduled Redemption due to termination of the put agreement (Transaction II, below) resulting from cumulative losses in the transaction exceeding \$292 MM (Put Option CDS Maximum Principal Loss Test).

V. Citigroup Participation

Citibank N.A. and the Issuer have entered into a 2002 ISDA Master Agreement and a schedule thereto under which the parties have entered into two transactions.

	Transaction I	Transaction II
Description	Interest Rate Swap	CP Put Option
Notional	\$141 MM	Total amount of outstanding CP during reinvestment period (5 years)
Strike	N/A	CP spreads over Libor (including placement fee) reach 35 bps
Premium	Undrawn: 20.0 bps Drawn: L+15.0 bps (plus 20.0 bps on undrawn)	10.0 bps L + 35 bps on exercise of purchase of CP L + 35 bps on exercise of put of funding notes
Tenor	364-day	364-day
Renewal	Renewable by mutual consent	Renewable by mutual consent

Expected Total Term	8 years at mandatory auction call.	8 years at mandatory auction call.
Booking Method	\$0 upfront 20.0 bps running	\$0 upfront 10.0 bps running
Comments	Transaction effectively represents a "swing line" to deal with interest payment timing mismatch between assets and liabilities. Repayment will occur on next payment date from a position in the waterfall.	Transaction allows Issuer to put CP or funding notes to Citibank in event of certain market disruptions.

A. Outstanding Super Senior Credit Option Exposure

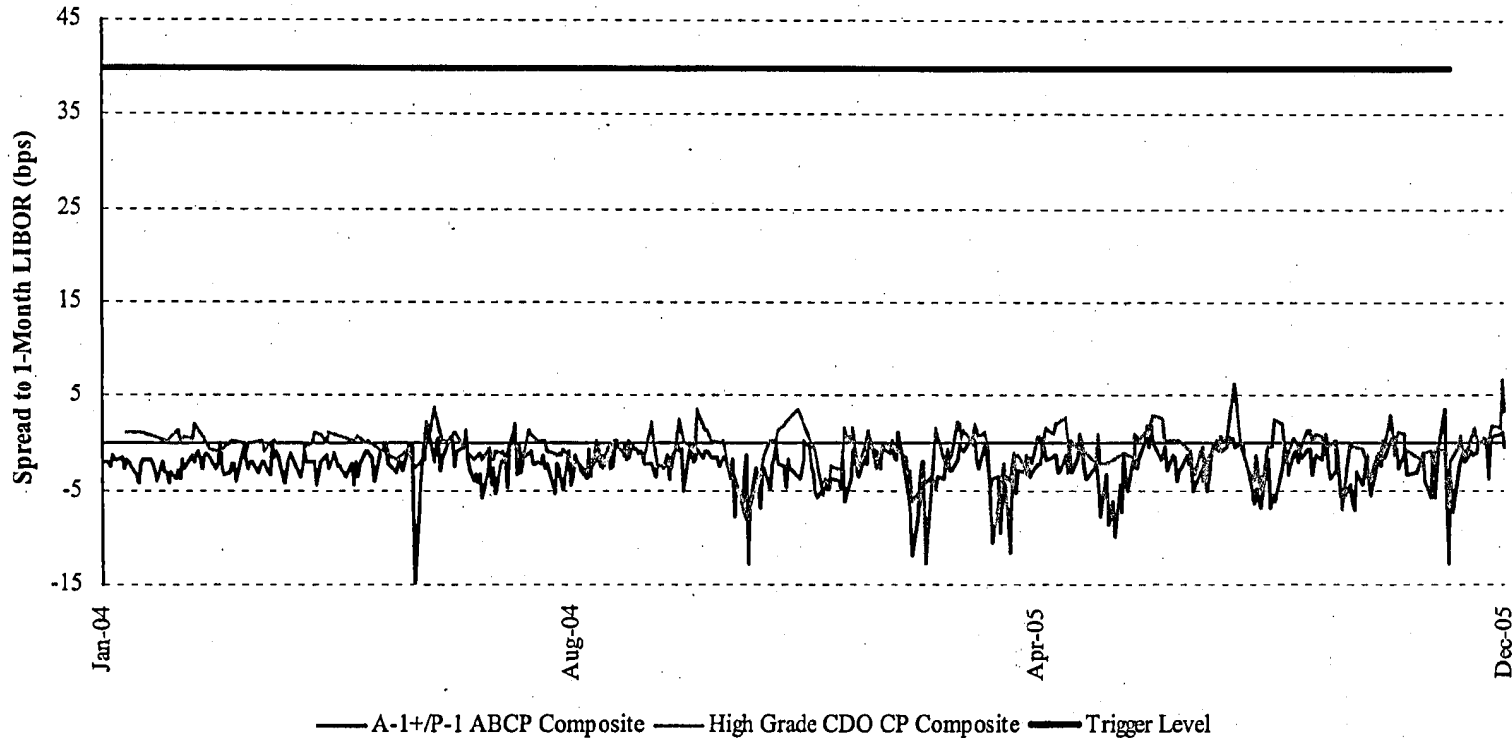
Outstanding Super Senior Put Exposure as of January 2006

Counterparty (CDO) ¹	Portfolio Manager	Outstanding Contingent Credit Option		Term of the liquidity structure	Average Portfolio Type
		Original Inception Date of Put	Maximum CP Principal Notional Amount		
Grenadier Funding Limited	ACA Capital	07/14/03	\$1,320,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Blue Bell Funding	GMAC Capital Management	12/05/03	\$1,112,500,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Millstone Funding	Church Tavern Advisors, LLC	01/28/04	\$880,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Klio Funding, Ltd.	Bear Stearns Asset Mangement	04/16/04	\$2,059,900,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs & CDOs
Klio II Funding, Ltd.	Bear Stearns Asset Management	10/22/04	\$4,500,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs & CDOs
Pinnacle Point Funding Ltd	BlackRock Inc.	10/26/04	\$880,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
McKinley Funding Ltd.	Vertical Capital LLC	12/03/04	\$870,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Zenith Funding Ltd.	ACA Capital	12/15/05	\$1,320,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Quatro PmX Funding Ltd.	Paramax Capital Markets, LLC	12/21/04	\$2,350,000,000	364 days from Exercise Date	AAA/Aaa CDOs
Kent Funding Ltd.	Declaration Management & Research	03/30/05	\$900,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Athos Funding Ltd.	Terwin Asset Management	05/09/05	\$900,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
McKinley II Funding, Ltd.	Vertical Capital LLC	08/10/05	\$863,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Klio III Funding Ltd.	Bear Stearns Asset Management	10/24/05	\$3,600,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Raffles Place Funding Ltd.	United Overseas Bank Group	11/11/05	\$880,000,000	364 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Tierra Alta Funding, Ltd.	Highland Capital Management	03/30/06	\$2,125,000,000	335 days from Exercise Date	AA- Rated Mortgage & Assest Backs
Total:			\$24,849,179,000		

B. CP Trading History

CDO Commercial Paper Relative Pricing

A-1+/P-1 ABCP AND HIGH GRADE CDO CP COMPOSITES – HISTORICAL SPREADS TO 1-MO. LIBOR (BID-SIDE)¹



¹ Source: Citigroup CP Dealer Desk. Includes dealer fees.

CDO Commercial Paper Relative Pricing

HISTORICAL AVERAGE MONTHLY SPREADS TO 1-MONTH LIBOR (BID-SIDE)²

Date	A-1+/P-1 Composite	High Grade CDO CP Composite
Jan-04	-2.29	1.13
Feb-04	-2.30	0.51
Mar-04	-2.22	-0.26
Apr-04	-2.20	0.36
May-04	-2.12	-0.09
Jun-04	-1.75	0.04
Jul-04	-2.57	-1.08
Aug-04	-2.16	-0.61
Sep-04	-1.81	-1.08
Oct-04	-1.85	-0.66
Nov-04	-2.30	-0.19
Dec-04	-3.39	-0.32

Date	A-1+/P-1 Composite	High Grade CDO CP Composite
Jan-05	-3.50	-1.47
Feb-05	-2.55	-1.40
Mar-05	-2.33	-1.24
Apr-05	-3.31	-2.61
May-05	-1.83	0.26
Jun-05	-3.58	-0.47
Jul-05	-2.52	-0.58
Aug-05	-1.93	-1.02
Sep-05	-1.96	0.45
Oct-05	-3.25	-1.48
Nov-05	-2.69	-1.04
Dec-05	-1.33	0.72
Average	-2.40	-0.64

² Source: Citigroup CP Dealer Desk. Includes dealer fees.