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2-1-2007

### Volans-2007-1 CDO Term Sheet

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## Volans Funding 2007-1

**[\$1,100,000,000] Mezzanine ABS CDO managed by VERO Capital Management**

### Indicative Capital Structure

Class	Rating (M/S/F)	Notional (\$)	% Cap Structure	% Subordination	Coupon/Yield	Legal Maturity
Class A-1A VFN	[Aaa/AAA/AAA]	[370,000,000]	[33.64]%	[66.36]%	Not offered	[45] years
Class A-1B VFN	[Aaa/AAA/AAA]	[400,000,000]	[36.36]%	[30.0]%	Not offered	[45] years
Class A-2 Notes	[Aaa/AAA/AAA]	[73,000,000]	[6.64]%	[23.36]%	1mL + [ ]bp	[45] years
Class B Notes	[Aa2/AA/AA]	[71,500,000]	[6.5]%	[16.86]%	1mL + [ ]bp	[45] years
Class C Notes	[A2/A/A]	[47,500,000]	[4.32]%	[12.55]%	1mL + [ ]bp	[45] years
Class D Notes	[Baa2/BBB/BBB]	[63,000,000]	[5.73]%	[6.82]%	1mL + [ ]bp	[45] years
Class E Notes	[Baa3/BBB-/BBB-]	[22,000,000]	[2.0]%	[4.82]%	1mL + [ ]bp	[45] years
Class F Notes	[Baa3/BBB-/BBB-]	[15,000,000]	[1.36]%	[3.45]%	Not offered	[45] years
Pref Shrs	NR	[38,000,000]	[3.45]%			
<b>Total</b>		<b>[1,100,000,000]</b>	<b>[100.00]%</b>			

Class A-1A VFN and Class A-1B VFN: supersenior liquidity facility; unfunded at closing; accrues commitment fee of [ ]bp unfunded and coupon of 1mL + [ ]bp funded.

### General Transaction Terms

#### Volans Funding 2007-1, Ltd.

These materials discuss an opportunity to invest in the securities of Volans Funding 2007-1, Ltd. ("Volans") in connection with a \$[1.1] billion collateralized debt obligation transaction. The rated Notes issued by Volans will be secured by a portfolio of structured finance assets with a target WARF of [475], consisting primarily of U.S. dollar-denominated Residential Mortgage Backed Securities ("RMBS"), Commercial Mortgage Backed Securities ("CMBS"), ABS CDO securities and CDS of RMBS/CMBS/ABS, that will be managed by VERO Capital Management, LLC ("VERO").

#### Trading guidelines:

[5] year Reinvestment Period.

[15]% discretionary trading limit per year.

Credit Risk assets, Credit Improved assets, and any assets with an average life less than [6] months may be sold at any time (do not count toward discretionary trading limit).

#### Ramp-up Target:

It is anticipated that at least [95]% of the collateral will be purchased by closing; [3] months ramp-up period.

#### Portfolio Composition:

Max [95]%/Min [75]% CDS assets. Min [5]%/Max [25]% Cash assets.  
Target Portfolio Composition: [13.2]% Cash assets, [86.8]% CDS assets

#### Management Fees:

Senior Management Fee: [10] bps.

Subordinate Management Fee: up to [5] bps + [5] bps incentive, subject to equity performance triggers.

#### Auction Call:

A [monthly] auction call will be conducted beginning in year [8], as long as the redemption proceeds can pay all cumulative interest and principal on the Notes and certain other fees and expenses then outstanding, and subject to the Preferred Shares receiving a minimum IRR as follows: [8]% from the end of year [8] to the end of year [10], [4]% from the end of year [10] to the end of year [12], and [0]% thereafter.

#### Optional Redemption:

The Notes are redeemable, as long as the redemption proceeds can pay all cumulative interest and principal on the Notes and certain other fees and expenses then outstanding, by the Issuer, at the direction of a Majority of the Preferred Shares, on any Payment Date after [3] years.

#### Clean-up Call:

An automatic clean-up call will be conducted when the collateral outstanding balance is less than or equal to [10]% of the original ramp-up balance, as long as the redemption proceeds can pay all cumulative interest and principal on the Notes and certain other fees and expenses then outstanding, and subject to the Preferred Shares receiving a minimum IRR of [4]%.

#### Coverage Tests:

There will be no OC or IC coverage tests.

#### Sequential Pay Trigger:

During the reinvestment period, if the AAA coverage ratio is less than [112]%, then the reinvestment period will terminate permanently and the deal will amortize sequentially.

After the reinvestment period, if the AAA coverage ratio is less than [125]%, then the deal will amortize sequentially.

#### BBB/BBB- Turbo Feature:

During the reinvestment period, interest proceeds will be used to pay down the principal pro-rata of the Class D, Class E and Class F Notes in an amount up to [0.80]% of the aggregate original notional amount of such Notes, on each payment date.

#### VERO Capital Management\*

- The Firm: VERO Capital Management ("VERO") is a fixed income alternative asset management firm whose core expertise is structured finance. The firm is dedicated to a thorough, quantitative and transparent investment platform. VERO has invested substantial resources to develop an integrated suite of proprietary analytical systems to support its process driven investment platform.

- Experienced Senior Management: The founding members have been involved in ABS and collateral since the inception of the US ABS market. They have worked together in highly volatile global trading and structuring capital markets. Each member of VERO's portfolio management team brings an average of over 15 years of experience within fixed income, with expertise in one or more of the following areas: structured and leveraged credit, portfolio management, structuring, underwriting, trading and legal.

- CDO Deal Platform Strategy: VERO's CDO investment platform achieves the following: return objectives while balancing downside risk, active dialogue among the firm's portfolio management team, timely ramp of assets subject to portfolio objectives, minimal ratings drift through active management and use of effective hedges. VERO's CDO platform restricts illiquid assets, excludes inappropriate asset classes and minimizes A/L mismatches.

- Detailed Portfolio Construction Process: VERO has a replicable portfolio construction and investment process that includes detailed top down investment strategies, bottom up fundamental credit and collateral analysis, and active granular quantitative analysis that drives incremental and absolute returns.

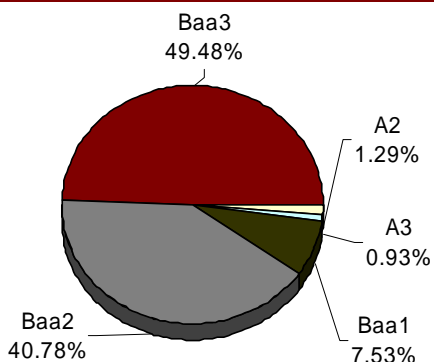
- Portfolio Optimization and Monitoring: VERO's portfolio selection methodology uses both quantitative and qualitative tools to maximize returns, subject to various downside risk metrics, including VERO's proprietary benchmarks. The profile of each security in each portfolio is analyzed and regularly monitored to evaluate potential exposures to individual and systemic risks. Monte Carlo simulations and scenarios analysis are applied to individual securities and aggregate portfolios to capture potential exposures to idiosyncratic and systemic risks. Thus timely actions can always be undertaken in response to market events.

- Proprietary Analytics: VERO's analytical framework is an integral part of its investment platform that enables systematic analysis and surveillance of investment portfolios. The systems support each key discipline—credit, collateral, trading, markets, structuring, quantitative research, risk, surveillance and legal to provide a comprehensive investment perspective. VERO invested early in systems to ensure a strong fundamental analytical platform and culture.

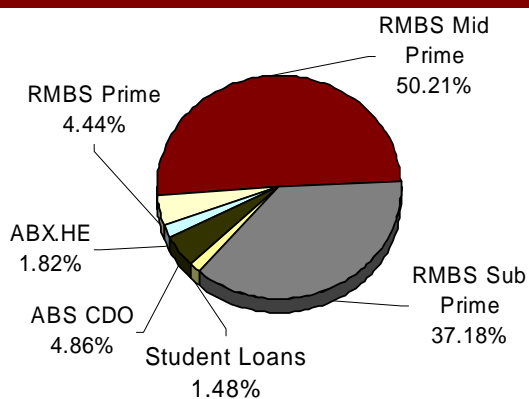
\* All information under this heading has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

**Target Portfolio**

**Indicative Asset Rating Distribution**



**Indicative Asset Type Distribution**

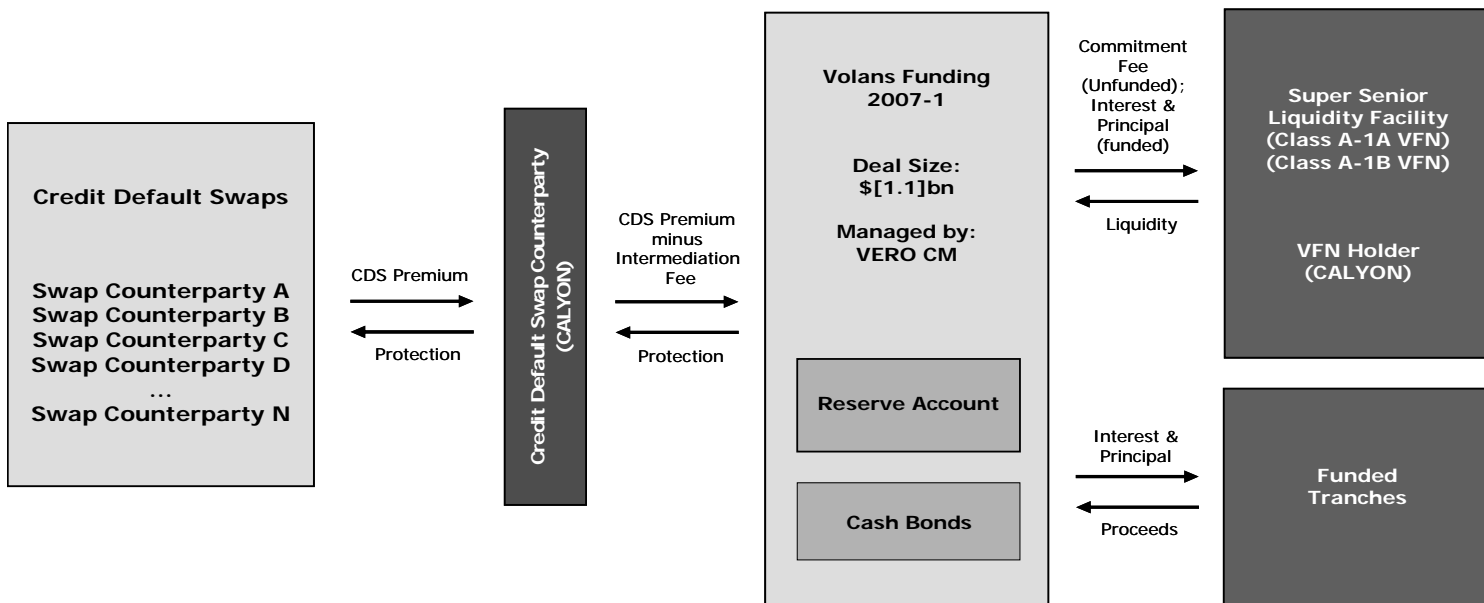


**Indicative Collateral Quality Tests**

Moody's WARF	Max [520]
Moody's Correlation Factor (%)	Max [25]
WA Life (years)	Max [6.0]
WA Spread/CDS Premium (%)	Min [1.83]

	Asset Type	Ratings	Target (%)	WARF
CASH	Prime RMBS	A2	0.20%	120
	Prime RMBS	Baa1	0.59%	260
	Prime RMBS	Baa2	0.47%	360
	Midprime RMBS	A3	0.45%	180
	Midprime RMBS	Baa1	2.32%	260
	Midprime RMBS	Baa2	1.04%	360
	Subprime RMBS	A3	0.47%	180
	Subprime RMBS	Baa1	1.43%	260
	Subprime RMBS	Baa2	0.35%	360
	Subprime RMBS	Baa3	1.30%	610
	Student Loans	Baa2	1.48%	360
	ABS CDO	Baa2	3.14%	360
	<b>Total Cash</b>			<b>13.24%</b>
SYNTHETIC	Prime RMBS	Baa3	3.18%	610
	Midprime RMBS	Baa1	0.91%	260
	Midprime RMBS	Baa2	21.85%	360
	Midprime RMBS	Baa3	23.64%	610
	ABX.HE	Baa3	1.82%	610
	Subprime RMBS	Baa1	2.27%	260
	Subprime RMBS	Baa2	11.82%	360
	Subprime RMBS	Baa3	19.55%	610
	ABS CDO	A2	1.09%	120
ABS CDO	Baa2	0.64%	360	
<b>Total Synthetic</b>			<b>86.76%</b>	<b>492.1</b>
<b>Total Portfolio</b>			<b>100.00%</b>	<b>471.4</b>

**Transaction Overview**



## Preliminary Portfolio Parameters

### Prohibited Asset Types:

Defaulted Security,  
Written-Down Security,  
Credit Risk Security,  
Non-Libor Floating Rate Security,  
Short Synthetic Security,  
Catastrophe Bond,  
Structured Settlement Security,  
Tobacco Bond,  
Deferred Interest PIK Bond,  
NIM Security,  
Mutual Fund Fees Security,  
Aircraft Leasing Security,  
EETC Security,  
Future Flow Security,  
Healthcare Security,  
Lottery Receivable Security,  
Restaurant and Food Services Security,  
ABS Natural Resource Receivable Security,  
Recreational Vehicle Security,  
ABS Container Security,  
ABS Chassis Security,  
ABS Stadium Security,  
ABS Franchise Loan Security,  
Guaranteed Corporate Debt Security,  
Car Rental Receivable Security,  
Oil and Gas Security,  
Project Finance Security,  
Reinsurance Security,  
Tax Lien Security,  
Hybrid Security,  
CMBS Credit Tenant Lease Security,  
CMBS Single Property Security,  
Equity Security,  
Security that accrues interest at a floating rate that moves inversely to a reference rate or index

### Permitted Asset Types:

#### Majority ABS:

CDO Securities,  
Automobile Securities,  
CMBS Securities,  
Credit Card Securities,  
Equipment Leasing Securities,  
Home Equity Loan Securities,  
Residential A Mortgage Securities,  
Residential B/C Mortgage Securities,  
RMBS Prime Securities,  
RMBS Midprime Securities,  
RMBS Subprime Securities  
Student Loan Securities,  
Small Business Loan Securities,  
ABX

#### Minority ABS:

Bank Guaranteed Securities,  
FHLMC/FNMA Guaranteed Securities,  
Floorplan Receivable Security,  
Insurance Company Guaranteed Securities,  
Re-REMICs,  
U.S. Agency Guaranteed Securities,  
Manufactured Housing Securities,  
REIT Debt Securities,  
Time Share Securities,  
Mortgage Finance Company Securities

### Eligibility Criteria:

Non US/Qualifying Foreign Obligor/  
SPV Jurisdiction securities<sup>2</sup> Max [5]%  
Non USD securities Max [0]%  
Rated at least IG by at least one RA<sup>1</sup> Min [100]%  
Downgraded securities<sup>3</sup> Max [5]%  
Single Issuer AAA to AA-<sup>4(a)</sup> Max [1.875]%  
Single Issuer A+ to A-<sup>4(b)</sup> Max [1.25]%  
Single Issuer BBB+ to BBB-<sup>4(c)</sup> Max [1.0]%  
Avg life per security < 8 yrs Min [60]%  
Avg life per ABS CDO security<sup>5</sup> Max [10] yrs  
Avg life per security<sup>5</sup>  
(other than ABS CDO security) Max [13] yrs  
Weighted avg life of collateral Max [6] yrs  
Long-dated securities Max [10]%  
Legal final of long-dated securities Max [50] yrs  
CDS on fixed rate assets Max [15]%  
Deemed floating rate assets Max [15]%  
Fixed rate assets other than  
in CDS form or deemed floaters Max [0]%  
Pure private securities Max [5]%  
Single servicer "Strong" by S&P  
(w/ 2 exceptions) Max [20]%  
Single servicer "Strong" by S&P,  
2 exceptions, each Max [25]%  
Single servicer "Above Avg" by S&P Max [15]%  
Any other single servicer Max [7.5]%  
RMBS+ABS CDO+CMBS Min [90]%  
Other than RMBS+ABS CDO+CMBS Max [10]%  
RMBS Midprime + Subprime + HEL Min [80]%  
RMBS Prime Max [40]%  
RMBS Midprime Max [65]%  
RMBS Subprime Max [60]%  
RMBS Neg Am Max [7.5]%  
RMBS 2<sup>nd</sup> Lien Exposure Max [5]%  
REIT securities<sup>10</sup> Max [3]%  
CMBS Max [15]%  
CMBS Conduit Max [15]%  
CMBS Large Loan<sup>6</sup> Max [15]%  
CRE CDOs<sup>7</sup> Max [7.5]%  
ABS CDOs<sup>8</sup>  
(including hybrid ABS CDOs) Max [10]%  
HG ABS CDOs<sup>9</sup>  
(counts toward ABS CDO bucket;  
third loss tranche and above only) Max [5]%  
Other CDOs  
(CBO, CLO, CDO<sup>^</sup>2, Trups CDO,  
ST bespoke CDO, MV CDO, EM CDO,  
Hedge Fund CDO, Private Equity CDO,  
Black Box CDO, etc.) Max [0]%  
CDO per collateral manager Max [2.5]%  
CDO managed by VERO Max [0]%  
CDO single issuer Max [1.5]%  
Automobile securities (prime)<sup>10</sup> Max [10]%  
Credit card securities (prime)<sup>10</sup> Max [10]%  
Student loan securities Max [5]%  
SBL securities<sup>10</sup> Max [5]%  
Equipment securities<sup>10</sup> Max [5]%  
Minority ABS (overall)<sup>11</sup> Max [8]%  
Minority ABS (per asset category)<sup>11</sup> Max [3]%  
ABX (overall) Max [5]%  
ABX (per series; included in overall bucket) Max [2]%  
PIK securities  
(excluding ABS CDO and CRE CDO)<sup>12</sup> Max [0]%  
I/O securities Max [2]%  
Pays interest less frequently than quarterly Max [5]%  
Number of assets Min [120]

### Eligibility Criteria Notes:

- Every asset must have at least an investment grade rating from at least one of the rating agencies; that is, rated at least BBB- by S&P, or at least BBB- by Fitch, or at least Baa3 by Moody's. In addition, every asset must have a notched "Moody's Rating" of at least Ba3.
- SPV Jurisdictions: Caymans, Bahamas, Bermuda, Netherlands, Channel Islands or other jurisdiction that is commonly used as the place of organization of SPVs that issue ABS, that generally impose no or nominal tax on such SPV.
- Each asset in this category at the time of acquisition must be rated at least BBB- by S&P, or at least BBB- by Fitch, or at least Baa3 by Moody's. Each asset must have been downgraded no more than 2 notches from original issuance ratings by either S&P or Moody's, and a maximum of one time each by S&P and Moody's.
- (a). This includes any asset that is rated at least AA- by S&P, or at least AA- by Fitch, or at least Aa3 by Moody's.
- (b). This includes any asset that is rated A+, A or A- by S&P, or rated A+, A or A- by Fitch, or rated A1, A2 or A3 by Moody's. However, it does not include any split rated asset that satisfies the rating requirements in clause (a) above (in which case (a) supersedes (b)).
- (c). This includes any asset that is rated BBB+, BBB or BBB- by S&P, or rated BBB+, BBB or BBB- by Fitch, or rated Baa1, Baa2 or Baa3 by Moody's. However, it does not include any split rated asset that satisfies the rating requirements in clause (a) or (b) above (in which case (a) supersedes (b), and (b) supersedes (c)).
- With up to [5]% exception.
- Each asset in this category must be rated at least BBB by S&P, or at least BBB by Fitch, or at least Baa2 by Moody's. Of the [15]% bucket, at least [7.5]% must be rated at least A- by S&P, or at least A- by Fitch, or at least A3 by Moody's.
- CRE CDOs count towards the [15]% CMBS bucket, and not towards the [10]% ABS CDO bucket. Of the [7.5]% bucket, Max [5.0]% can be assets that are not rated at least A- by S&P, or at least A- by Fitch, or at least A3 by Moody's.
- Each asset in this category must be rated at least BBB by S&P (if rated by S&P), and at least BBB by Fitch (if rated by Fitch), and at least Baa2 by Moody's (if rated by Moody's). Of the [10]% bucket, at least [7.5]% must be rated at least BBB+ by S&P, or at least BBB+ by Fitch, or at least Baa1 by Moody's.
- Counts towards the [10]% ABS CDO bucket. Each asset in this category must be rated at least A by S&P (if rated by S&P), and at least A by Fitch (if rated by Fitch), and at least A2 by Moody's (if rated by Moody's).
- Each asset in these categories must be rated at least BBB by S&P, or at least BBB by Fitch, or at least Baa2 by Moody's.
- Each asset in these categories (other than ABX or unless otherwise specified) must be rated at least A- by S&P, or at least A- by Fitch, or at least A3 by Moody's.
- For the avoidance of doubt, Neg Am is not classified as a PIK security.

## Preliminary Priority Of Payments

### Interest Proceeds

On any Payment Date, Interest Proceeds will be distributed as follows:

1. Trustee, Administrative Expenses, and Senior Management Fee
2. Any amounts due to the Swap Counterparties
3. Commitment Fee and Interest, if any, due to (a) first, the Class A-1A VFN and (b) second, the Class A-1B VFN
4. Interest due to the Class A-2 Notes
5. Interest due to the Class B Notes
6. Interest due to the Class C Notes, excluding Deferred Interest but including interest thereon
7. Deferred Interest due to the Class C Notes
8. Interest due to the Class D Notes, excluding Deferred Interest but including interest thereon
9. Deferred Interest due to the Class D Notes
10. Interest due to the Class E Notes, excluding Deferred Interest but including interest thereon
11. Deferred Interest due to the Class E Notes
12. Interest due to the Class F Notes, excluding Deferred Interest but including interest thereon
13. Deferred Interest due to the Class F Notes
14. [The Subordinate Management Fee, [5] bps] or [To pay the Preferred Shares, up to a [12]% current dividend yield] [TBD]<sup>1</sup>
15. [The Subordinate Management Fee, [5] bps] or [To pay the Preferred Shares, up to a [12]% current dividend yield] [TBD]<sup>1</sup>
16. During the Reinvestment Period, to pay principal pro-rata of the Class D, Class E and Class F Notes in an amount up to [0.80]% of the aggregate original notional amount of such Notes
17. To pay the Preferred Shares, up to a [17]% cumulative IRR\*
18. The Subordinate Management Fee, [5] bps\*
19. Any remaining Administrative Expenses and any defaulted hedge termination payments due to the Swap Counterparties\*
20. Termination Fee to the Collateral Manager if removed without cause\*
21. To the Preferred Shares\*

### Principal Proceeds

On any Payment Date, Principal Proceeds will be distributed as follows:

1. The amounts referred to in clauses (1) through (5) (of Interest Proceeds)
2. To pay down the Funded Amount of (a) first, the Class A-1A VFN, if any, until reduced to \$[50.0] million; and (b) second, the Class A-1B VFN, if any, until reduced to \$[50.0] million
3. During the Reinvestment Period, reinvestment into collateral at the direction of the collateral manager
4. After the Reinvestment Period, if the Pro Rata Conditions<sup>2</sup> are satisfied, first, sequentially to the amounts referred to in clauses (6), (8), (10) and (12) (of Interest Proceeds), and second, to payment of principal pro-rata to the Class A-1A VFN and Class A-1B VFN (to Reserve Account if there's no Funded Amount), Class A-2 Notes, Class B Notes, Class C Notes (including Deferred Interest), Class D Notes (including Deferred Interest), Class E Notes (including Deferred Interest), and Class F Notes (including Deferred Interest)
5. After the Reinvestment Period, if the Pro Rata Conditions<sup>2</sup> are not satisfied, sequentially as follows: (i) to pay principal of, first, the Class A-1A VFN and, second, the Class A-1B VFN (to Reserve Account if there's no Funded Amount), (ii) to pay principal of the Class A-2 Notes, (iii) to pay principal of the Class B Notes, (iv) to pay amounts in clauses (6) and (7) (of Interest Proceeds), (v) to pay principal of the Class C Notes, (vi) to pay amounts in clauses (8) and (9) (of Interest Proceeds), (vii) to pay principal of the Class D Notes, (viii) to pay amounts in clauses (10) and (11) (of Interest Proceeds), (ix) to pay principal of the Class E Notes, (x) to pay amounts in clauses (12) and (13) (of Interest Proceeds), (xi) to pay principal of the Class F Notes, in each case until paid in full
6. The amounts referred to in clause ([ ]) (of Interest Proceeds)<sup>1</sup>
7. The amounts referred to in clauses (17) through (20) (of Interest Proceeds)\*
8. To the Preferred Shares\*

\* Paid on Quarterly Payment Dates only.

<sup>1</sup> To be determined: In Interest Waterfall, Steps 14 & 15, whether the [5] bp Subordinate Management Fee will be paid before or after the [12]% current dividend yield to the Preferred Shares. Principal Waterfall Step 6 refers to payment of the [5] bp Subordinate Management Fee.

<sup>2</sup> Pro Rata Conditions will be satisfied if (a) the collateral balance has not been reduced to less than [50]% of the ramp-up collateral balance and (b) the Sequential Pay Trigger has not been breached.

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