

## Spinnaker Capital Pty Limited / Keel Capital Inc.

**Closing Date:**

May 2003

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**Structure Summary**

Rating:	<b>Prime-1</b>
Securities:	A\$ asset-backed commercial paper (ABCP) issued by Spinnaker Capital Pty Limited (Spinnaker); US\$-denominated ABCP issued by Keel Capital Inc. (Keel)
Program Type:	Flexible structure allowing for a partially supported, multiseller, non-serialized ABCP program. Currently operating as a securities arbitrage vehicle.
Program Size:	A\$5 billion (or US\$ equivalent)
Authorized Amount:	A\$2.37 billion in assets (or US\$ equivalent)
Program Administrator:	State Street Capital Pty Limited (not rated), ultimately owned by State Street Corporation, a part of the State Street Banking Group ( <b>Aa2/Prime-1/B+</b> )
Ownership:	Program Administrator as charitable trustee under the terms of a charitable trust
Assets:	Term Securities

**Sellers**

Minimum Rating:	None
Maximum Size:	None

**Program Credit Enhancement**

Type:	Committed Loan Facility
Provider:	State Street Bank and Trust Company (State Street)
Minimum Dollar Amount:	None, credit enhancement is sized so as to be commensurate with the <b>Prime-1</b> rating assigned to the ABCP
Outs to Funding:	Insolvency of Spinnaker and failure to pay amounts due and payable under program credit enhancement agreement (monies are only payable when Spinnaker has funds in excess of that needed to cover outstanding ABCP)

**Liquidity**

Type:	Seller specific Liquidity Asset Purchase Agreement (LAPA), with liquidity tranches 'tagged' to individual receivables within the trust
Provider:	State Street ( <b>Aa2/Prime-1</b> )
Funding Base:	performing receivables
Support Percentage:	102% of assets funded
Outs to Funding:	Failure to pay amounts due under LAPA within 10 days (such amounts are only payable when Spinnaker has funds in excess of that needed to cover outstanding ABCP) and insolvency of Spinnaker

*(continued on next page)*

## Program Wind Down Events

No further ABCP may be issued if:

- rating of program is downgraded
- liquidity or swap events of default
- insolvency of Issuers or illegality

Administrator's Other

Conduits:

Clipper Receivables, LLC; Galleon Capital LLC (rated **Prime-1**),  
Schooner Capital Pty Limited (unrated by Moody's)

## CURRENT HIGHLIGHTS

- As at 30 September 2004, there was one receivables trust in place holding 58 assets – an increase of 8 assets since 30 March 2004.

## PROGRAM OVERVIEW

### Prior Review, Partially Supported, Securities Arbitrage

The Spinnaker program is structured as a partially supported, multiseller, non-serialised ABCP program sponsored by State Street Bank and Trust Company ("State Street"). Although having a very flexible structure – allowing for creation of multiple asset-holding trusts – it can be currently categorised as a securities arbitrage vehicle, with a single receivables trust holding a number of term securities. Moody's will review each asset prior to it being added into the trust to ensure that the underlying assets are structured to be consistent with the **Prime-1** rating assigned to the conduit.

### Program Comprises Two Issuers, Each Rated Prime-1

The Spinnaker program is comprised of two issuers, one in the Australian market and one in the US market. Spinnaker Capital Pty Limited is a special-purpose, bankruptcy-remote company incorporated under the laws of Australia. Keel Capital Inc. is a special purpose, bankruptcy-remote company established under the laws of Delaware.

The program is set up to fund Australian-dollar-denominated assets with either A\$ or US\$ ABCP. Spinnaker may either issue ABCP into the domestic Australian market or fund itself by means of an intercompany loan from Keel (the "Intercompany Loan"). Keel in turn funds the loan by issuing ABCP into the US market. The Intercompany Loan is match-funded with US ABCP.

The activities of both companies are limited by their constituent documents as well as the obligations under the Receivables Trust Deed and the Security Trust Deed.

The shares of Spinnaker are wholly owned by the Program Administrator, in the capacity of charitable trustee, under the terms of the trust. Keel is a wholly owned subsidiary of Spinnaker.

## Single Receivables Trust

Although there is no limit on the number of receivable trusts that can be established for the program, there is currently only one in existence, known as the "Sail Trust". State Street Capital Pty Ltd acts as the trustee of the trust. The Sail Trust holds a number of term instruments and finances itself by issuing an Investor Unit to Spinnaker, which in turn issues ABCP on a fully fungible basis to 'finance' the "Investor Unit". The Investor Unit evidences a participation right in the assets. The diagram below describes the structure.

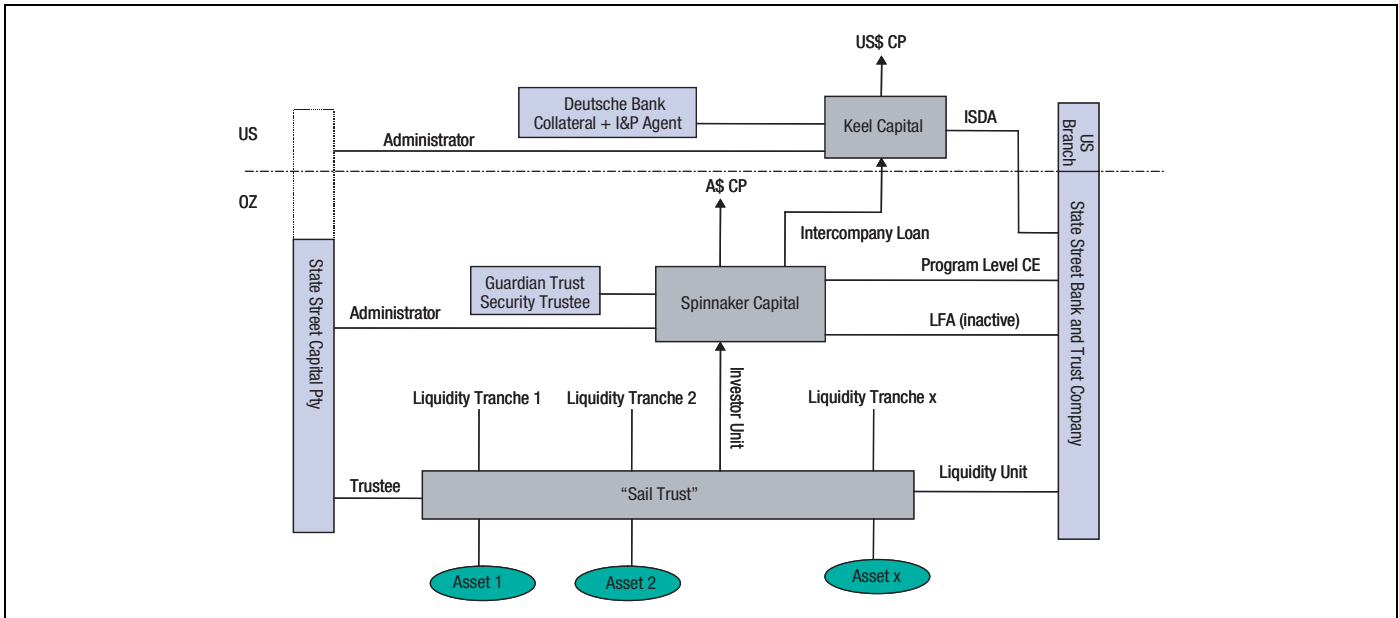
## No Match-Funding of Assets

Spinnaker differentiates itself in the market by its active issuance management, tailoring both maturities and amounts of ABCP issuance to the needs of its investors. This flexibility is achieved because the assets are not match-funded. Furthermore, a number of assets with quarterly interest rate resets are unhedged. In order to mitigate the unhedged rate exposure, the sponsor monitors the yield curve. If the yield curve should invert, the sponsor will match-fund to mitigate basis risk. State Street also uses its liquidity facility to shield the investors from the risks associated with interest rate volatility. The LAPA covers any accrued interest on the ABCP, thus insulating investors from basis risk.

## Liquidity Tranches 'Tagged' to Individual Assets

The program has two means of obtaining liquidity in the event of funds shortfall. Sail Trust has been extended a LAPA by State Street Bank and Trust Co, and Spinnaker Capital has further entered into a Liquidity Facility Agreement ("LFA") also with State Street. However for Sail Trust only the LAPA is being used currently.

Under the terms of the LAPA, each asset within the receivables trust has a corresponding liquidity tranche. Each tranche commitment notice can be tailored to shift specific risks applicable to each asset to liquidity. To effect a draw, a Liquidity Purchase Notice will be served, specifying the tranche and amount required. Hence, in the result of a general market disruption, all tranches will be drawn on a *pro rata* basis. On the other hand, should the shortfall be created by payment default on a particular asset, the relevant tranche alone will be drawn upon.



### Program-Wide Credit Enhancement

Spinnaker benefits from a program-wide credit enhancement facility from State Street, currently sized at A\$50 million. The sizing of the facility is done in reference to the asset pool held in the receivables trusts and is commensurate with the **Prime-1** rating assigned to the program. The credit enhancement facility may not be drawn in the event of the insolvency of Spinnaker or failure to pay amounts due under that facility when due and payable and when payment of such amounts is permitted under the transaction documents. As all payments to the credit enhancement provider are subordinate to payments to noteholders, the exclusion from funding for non-payment does not affect the interests of the noteholders.

### ABCP Investors Have a Security Interest

Investors in ABCP issued to fund Spinnaker's asset interests benefit from a security interest in Spinnaker's assets, including the Investor Unit. Spinnaker benefits from a security interest in the assets of each receivables trust financed by it. In the unlikely event that Spinnaker were to become the subject of bankruptcy proceedings, ABCP investors would have a priority interest in the collections on the Investor Unit owned by Spinnaker, after payment of certain senior expenses. In the unlikely event that the Trustee, in its capacity as trustee of a receivables trust, were to become the subject of bankruptcy proceedings, Spinnaker would have a *pari passu* interest with liquidity banks in the collections on the relevant underlying assets.

In Moody's opinion, a security interest is a strong feature of the program. However, because the **Prime-1** rating addresses timeliness of payment, the security interest does not add a significant benefit from a short-term rating perspective. The security interest would likely reduce investors' losses

under the extremely remote instance of Spinnaker or Trustee becoming the subject of bankruptcy proceedings. Also, Keel has granted a security interest in the assets, certain hedge contracts and various other accounts and assets to Deutsche Bank, the collateral agent, who will hold the security interest for the benefit of the ABCP holders and other secured creditors. The collateral agent shall enforce the security interest at the direction of the administrator if any "enforcement event" has occurred.

### RATING OPINION

Moody's **Prime-1** rating assigned to the ABCP issued by Spinnaker and Keel is based on:

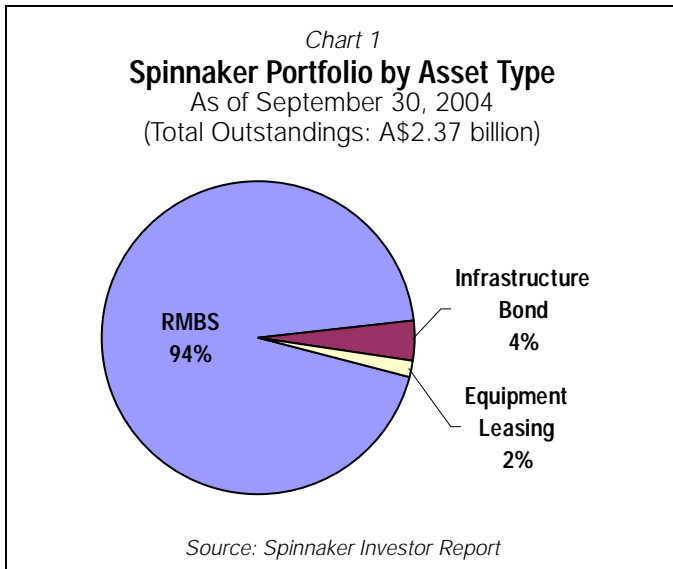
- **Prime-1** liquidity asset purchase agreement provided by State Street to the Sail Trust, covering performing receivables provided certain payments are made under the liquidity agreement and Spinnaker is not insolvent;
- The credit quality and liquidity position of the underlying assets purchased by the Sail Trust;
- Program-level credit enhancement covering residual risks associated with 'non-performing' assets;
- Strong conditions precedent to issuance, including asset and income tests;
- Structural protections built into the program and each receivables purchase agreement, including the bankruptcy-remote nature of the issuers and receivables trusts.

Moody's rating is also based on the **Prime-1** rating of State Street, which assumes many important functions in relation to the program, as well as the administrator's strong conduit management abilities. Investors should be aware that due to this correlation any change in State Street's **Prime-1** rating would probably result in a corresponding adjustment to the rating of the ABCP.

## ASSET OVERVIEW

As of 30 September 2004, Spinnaker's asset portfolio consisted of 58 assets all held in the Sail Trust. The overwhelming majority are residential asset-backed securities. The A\$2.37 billion in assets funded are broken down by asset-type as shown in *Chart 1*.

All of the assets are term securities, though Spinnaker has the ability to fund pools of assets directly – i.e. warehouse arrangements. The vast majority of assets, by number are residential mortgage-backed securities (RMBS), comprising 55 out of 58 assets funded by the program. As well as funding senior tranches, Spinnaker also funds 19 sub-pieces associated with various RMBS issuances. Not all of the assets are publicly rated by Moody's. However, Moody's has undertaken a review of all assets currently funded by the program and sized the program-level credit enhancement so as to be commensurate with the rating of the program. Going forward, Moody's will review each asset prior to funding and will adjust credit enhancement calculations if required.



## LIQUIDITY

### Liquidity Facility Agreement v Liquidity Asset Purchase Agreement

The program has the flexibility of obtaining liquidity through either one of two methods. First, via a Liquidity Facility Agreement (LFA) at the Spinnaker level, which is a revolving loan facility and second, a Liquidity Asset Purchase Agreement (LAPA) at the Sail Trust level, which is an asset purchase agreement. Only one of the two can be in effect at any one time. Currently, the program utilizes a LAPA.

Once the liquidity provider (currently State Street) purchases program assets, its interest in the assets

is represented via a Liquidity Unit issued by the Sail Trust. Should an advance be requested under the LAPA, State Street will subscribe for the Liquidity Unit in the amount of the requested draw. Sail Trust will have an option to either repay the drawing or transfer assets to State Street in satisfaction of its liability under the LAPA.

Liquidity would be drawn to repay maturing ABCP if either issuer is unable to issue new ABCP. In addition, liquidity will be drawn to fund an asset interest if certain wind-down events occur.

### One Facility with Asset-Specific Tranches

Although there is only one LAPA in place, the program retains the flexibility to tailor liquidity arrangements for each asset held in the Sail Trust. This is done through the creation of separate liquidity tranches for each asset purchase. Each Liquidity Commitment Notice can contain special conditions. Liquidity may be structured to absorb certain asset-specific risks.

### Funding Base

The amount of funding available to Sail Trust under LAPA is subject to a funding base, or asset base test. In general, liquidity will fund against performing assets. Performing assets are calculated in reference to the underlying receivables funded by the securities held within Sail Trust. Thus, even in the event of security default or downgrade, liquidity will still be available to the value of performing receivables. For example, in the context of a residential mortgage-backed security, the liquidity funding amount will be calculated in reference to the performing mortgages funded by the RMBS. This is a strength of the program, since in many securities arbitrage programs in the marketplace, a downgrade or default of an asset means that liquidity will not fund against the asset at all.

### Conditions Precedent to Liquidity Funding

A condition precedent to all liquidity draws is that no events of default exist at the time of drawdown request. These events of default include the failure by the Trustee to pay any amount (except indemnity amounts) payable to the Liquidity Provider within 10 days of the due date (such amounts are only payable when Spinnaker has funds in excess of that needed to cover outstanding ABCP) and the insolvency of Trustee as trustee of the Sail Trust.

### US FUNDING AND FOREIGN EXCHANGE MECHANICS

The program will diversify its funding by issuing US\$-denominated ABCP through Keel. Any proceeds of US issuance will be used to fund an Inter-company Loan to Spinnaker, which is match-funded with the US\$ ABCP.

An important structural issue of the program is the foreign exchange risk of funding A\$ assets with US\$ ABCP. Moody's is satisfied that the program has a hedging strategy that is intended to isolate currency risk from the program through binding foreign exchange contracts with **Prime-1**-rated counterparties. This is done by entering into spot and forward contracts with State Street that hedge any currency and basis risks associated with cross-border funding. The timing differences are addressed by State Street's acting as a "multi-branch party" under the swaps and accepting payments in Australian time, while paying out in US time. In the event that US\$ ABCP cannot be re-issued to pay maturity ABCP, liquidity will be drawn by the Trustee to satisfy its obligations under the Intercompany Loan and the swap agreements.

### **WIND DOWN EVENTS**

The program will wind down if: the rating of Spinnaker or Keel ABCP is downgraded below **Prime-1**; liquidity or credit enhancement is no longer available, or under the circumstance of insolvency of the Issuer.

### **PROGRAM ADMINSTRATOR**

State Street Capital Pty Limited, which is ultimately a wholly owned subsidiary of State Street Corporation and part of the State Street Banking Group, administers the day-to-day operations of Spinnaker and Keel from Sydney, Australia. The Administrator has recruited key staff with experience in managing ABCP programs, and has access to extensive resources from within the bank's other related business lines. State Street is one of the major investment banks in the Australian market and is part of the State Street group which is one of the largest banks in the world.

The other program managed by State Street Capital Pty Limited is Schooner Capital Pty Limited, which has total outstandings in excess of A\$1.82 billion. World-wide State Street manages two other Moody's rated ABCP conduits, Clipper Receivables Company, LLC and Galleon Capital Corporation, with ABCP outstandings exceeding US\$11 billion (as at the end of September 2004.)

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