

Announcement: North Castle Custodial Trust VIII

Moody's announces rating actions on financial guarantors

New York, December 14, 2007 -- Moody's Investors Service has updated its evaluation of US mortgage market stress on the ratings of financial guaranty companies, and has considered those companies' plans for strengthening capitalization, as well as their developing strategies. The following actions are the result of that evaluation. The Aaa ratings of Financial Guaranty Insurance Company and XL Capital Assurance Inc. were placed on review for possible downgrade. The Aaa ratings of MBIA Insurance Corporation and CIFG Guaranty were affirmed, but the rating outlooks changed to negative. The Aaa ratings of Ambac Assurance Corporation, Assured Guaranty Corp, and Financial Security Assurance Inc. and the Aa3 rating of Radian Asset Assurance were all affirmed with a stable outlook.

These rating announcements result from Moody's reassessment of the financial guaranty insurers' capital adequacy in light of higher expected losses from credit enhancement provided to residential mortgage backed securities (RMBS) and collateralized debt obligations of asset backed securities (ABS CDOs) that include RMBS.

"Our rating actions stem from our assessment that several of the guarantors still have appropriate levels of capitalization to support the current rating and those that may not are taking active steps to strengthen their position," says Moody's Managing Director Jack Dorer. "In the cases in which we moved to a negative outlook or have initiated a review for possible downgrade, capitalization currently falls below Aaa levels or could fall under that level in one of our stress cases. We will be focusing on both the effectiveness of the companies' capital remediation plans and their risk management strategies going forward."

As a result of these reviews, the Moody's-rated securities that are "wrapped" or guaranteed by FGIC and XL Capital Assurance are also placed under review for possible downgrade. A full list of these securities will be made available later this evening under "Ratings Lists" on the company's website at www.moodys.com/guarantors.

The following briefly summarizes the analytical methods used in Moody's analysis and outlines the rating agency's current rating opinion and outlook for each of the rated primary financial guarantors, based on our assessment of their current capital positions, their plans for capital strengthening going forward, and other strategic and operational considerations.

Moody's will also be hosting a teleconference on Monday, December 17 at 11:00 EST/16:00 GMT/17:00 CET to discuss these actions in further detail. To register for this teleconference, go to www.moodys.com/events.

ANALYTICAL METHODS

As outlined most recently in a December 5th report, Moody's has employed two distinct approaches to assess the impact of recent mortgage market deterioration on financial guarantor capital adequacy. Under the first approach (the "base-case") we re-estimated risk-adjusted capital adequacy ratios using Moody's traditional portfolio risk model by updating our assessments of underlying risk exposures associated with RMBS and ABS CDOs, reflecting Moody's current views of those risks, consistent with recent and potential rating actions in these sectors.

Under the second approach (the "stress-case"), we employed a separate stochastic simulation model designed to test the sensitivity of ABS CDOs to changes in underlying collateral performance. This alternative stress-case model simulates performance at the specific underlying collateral level for each of the guarantors' ABS CDO exposures. This analysis draws upon Moody's pool level performance assumptions for RMBS collateral types, thereby incorporating differences in collateral performance by vintage, asset type and lender. Our stress-case analysis is intended to approximate an environment where subprime first lien mortgages underwritten in 2006 suffer, on average, 19% cumulative losses (vs. Moody's current estimate of approximately 11%), with loss assumptions for other RMBS collateral types and vintages scaled according to their anticipated performance relative to 2006 subprime RMBS.

We used these methods to assess the impact of different scenarios on each guarantor's capital adequacy by comparing model results against Moody's established benchmarks. Base-case model results were compared to the target capital ratio for the rating (1.3x the minimum capital ratio), while stress-case results were compared to the minimum capital ratio for the rating (1.0x losses at the tail of the distribution).

For a firm falling below Moody's capital adequacy benchmarks for its rating category under either the base-case or the stress-case approach, we considered the implied capital shortfall in the context of a range of likely company responses, some of which have been announced publicly and others which are actively being pursued. In our evaluation of capital strengthening plans, Moody's considered whether the guarantor's capital remediation plan would ultimately result in the company exceeding the relevant benchmarks and over what time frame. Today's rating announcements reflect the results of this analysis.

COMPANY RATING ANNOUNCEMENTS

Ambac -- Affirm Aaa Rating with Stable Outlook.

In Moody's opinion, Ambac's current capitalization is adequate for its rating level in both the base case and stress case described above. Moody's does note that there exists meaningful uncertainty with regard to the ultimate performance of the firm's insured mortgage-related portfolio in the current environment, particularly with respect to the three insured 2007 vintage CDO-squared transactions, which exhibit significant modeled losses in our stress scenario. Nonetheless, the affirmation of Ambac's Aaa insurance financial strength rating with a stable outlook reflects Moody's view that the company's capital position is adequate to deal with such uncertainty, in the context of likely further capital strengthening measures and considering the company's robust franchise in the financial guaranty insurance sector. Ambac's announcement that it has entered into a commitment to cede \$29 billion in par exposure to Assured Guaranty Re Ltd. (insurance financial strength at Aa2) is considered a positive in that regard.

Assured Guaranty Corp. -- Affirm Aaa Rating with Stable Outlook.

Today's rating affirmation of Assured Guaranty Corp. (AGC) follows a detailed analysis of AGC's mortgage-related exposure that confirms the company has minimal exposure to ABS CDOs and to higher risk RMBS transactions. In Moody's opinion, AGC's current capitalization is considered to be adequate for its rating level. We believe that AGC's new business volume in the US public finance, structured finance, and international markets has been robust during 2007. More recently, AGC's pricing power has also likely benefited from its more conservative insured portfolio vis-a-vis peers with more significant exposure to the volatile RMBS and ABS CDO segments. On December 12, 2007, Assured Guaranty Ltd. announced a \$300 million common equity offering, the proceeds of which would be downstreamed to AGC's sister reinsurance company, Assured Guaranty Re Ltd., to strengthen its capital position as it pursues opportunities to provide the primary financial guarantors with reinsurance capacity.

CIFG -- Affirm Aaa Rating with Negative Outlook.

The affirmation of CIFG's Aaa insurance financial strength rating, with the outlook changed to negative from stable, reflects both the material stress faced by the firm on its mortgage related exposures and the definitive steps taken by the company's shareholders to strengthen its capital position. Our analysis suggests that, prior to any capital infusion, CIFG's current capitalization is below the target level for a Aaa-rated financial guarantor, and would also fall below the minimum Aaa level under the stress scenario described above. On November 22, 2007, Caisse Nationale des Caisses d'Epargne (CNCE, rated Aa2/P-1/B-, stable) and Banque Federale des Banques Populaires (BFBP, rated Aa2/P-1/B-, stable) announced their commitment to infuse approximately \$1.5 billion in, and gain control of, the CIFG Group from Natixis (rated Aa2/P-1/C). Moody's believes that the \$1.5 billion announced capital infusion and the expected continued support of the parents provide comfort about prospective coverage of the estimated capital shortfalls at CIFG. However, the negative outlook incorporates uncertainty about the ultimate performance of the guarantor's portfolio and strategic direction of the firm. In Moody's opinion, CIFG's significant exposure to mezzanine senior tranches of ABS CDOs exposes it to higher risk of material losses than its peers, before consideration of the reorganization and capital infusion. Key considerations in Moody's assessment of CIFG's credit profile going forward will be its ability to establish strong franchise value in the evolving market for financial guaranty insurance; the continued support of its parents CNCE and BFBP; and its strategic focus and direction going forward.

FGIC -- Review Aaa Rating for Possible Downgrade.

Moody's analysis suggests that FGIC's current capitalization falls below the Aaa target level, and would fall below the minimum Aaa level under the stress scenario described above. Our review of FGIC's ratings for possible downgrade will focus on assessing the capital remediation plans the company is now pursuing and its ultimate effectiveness in restoring FGIC's capital adequacy to levels consistent with a Aaa rating. Moody's believes these plans lack the degree of certainty that would have led to a rating affirmation. Moody's will also evaluate any plans the company has to modify its risk management infrastructure and risk appetite in response to recent experiences with RMBS and ABS CDOs. To the extent FGIC is able to rebuild its capital position and adequately address the company's capital adequacy shortfall, we would likely confirm the company's ratings at their current levels. However, if FGIC is unable to resolve the current stress on its capitalization over the period of the review, which Moody's would expect to conclude over the next few months, we believe that the company's ratings would likely be downgraded. The magnitude of any potential downgrade would depend on a number of variables, including capital remediation measures enacted, as well as FGIC's prospective strategic plan and business profile.

FSA -- Affirm Aaa Rating with Stable Outlook.

The affirmation of FSA's Aaa insurance financial strength rating with a stable outlook reflects the strong risk adjusted capital profile of the firm and its high-quality, well-diversified insurance portfolio. Based on our updated analysis, we believe that FSA remains adequately capitalized for its rating under both the base case and stress case approaches. FSA has largely side-stepped the problems arising from mortgage-related exposures, as the company did not underwrite ABS CDOs in recent years. In our view, the insurer's relatively robust capital profile is likely to position FSA well for growth in the current market environment.

MBIA -- Affirm Aaa Rating with Negative Outlook.

The affirmation of MBIA's insurance financial strength rating at Aaa, with the outlook changed to negative from stable, reflects the material stress faced by the firm on its mortgage related exposures and the concrete steps already taken -- and likely to be taken -- by the company to strengthen its capital position. Our analysis suggests that MBIA's current capitalization is below the target Aaa level, and would be close to the minimum Aaa level under the stress scenario described above, before consideration of any capital strengthening actions. On December 10, 2007, MBIA announced a definitive investment agreement with Warburg Pincus to add approximately \$1 billion of capital to the firm. At the same time, the company indicated that it expects to establish loss reserves on its mortgage exposures estimated at between \$500 and \$800 million and expects to have a mark-to-market loss during 4Q2007 significantly greater than that of the third quarter. While Moody's believes that the Warburg Pincus investment will address the estimated hard capital shortfall at MBIA, the negative outlook incorporates uncertainty about the performance of the guarantor's portfolio and the ultimate resolution of the firm's total capital plan as discussed with Moody's. Moody's will also evaluate any changes to the firm's governance, strategy, and risk management that may be made in response to this current stress. To the extent MBIA fully executes an overall recapitalization plan that re-establishes a robust capital position, Moody's would expect to revise the outlook to stable. However, MBIA's ratings could be reviewed for possible downgrade if this expectation is unmet.

Radian Asset Assurance -- Affirm Aa3 Rating with Stable Outlook.

The affirmation of Radian Asset's rating at Aa3 with a stable outlook follows a detailed evaluation of the company's exposure to both RMBS and ABS CDOs, which is limited. Our analysis suggests that Radian Asset's current capitalization is adequate for its rating level. Radian Asset's direct financial guaranty new business volumes in both the structured finance and public finance markets have fallen with the widening of the company's credit spreads, given stressful market conditions and possible overhang from challenges faced by its parent, Radian Group (senior debt A2, under review for possible downgrade). These negative conditions for Radian Asset's direct business, however, are offset by growing market demand for financial guaranty reinsurance as primary financial guarantors seek to enhance their capital adequacy. As one of the largest financial guaranty reinsurers, Radian Asset is likely to see enhanced growth opportunities in this area.

Security Capital Assurance (XL Capital Assurance) -- Review Aaa Rating for Possible Downgrade.

Moody's analysis suggests that the current capitalization of SCA's operating subsidiaries, XL Capital Assurance Inc. and XL Financial Assurance Ltd., is above the Aaa target level, but would fall below the Aaa minimum level under the stress scenario described above. We believe that SCA's ABS CDO portfolio is highly sensitive to increases in cumulative losses on 2006 and 2007 vintage RMBS collateral. Our review of SCA's ratings for possible downgrade will focus on the execution of the company's capital remediation plans. According to SCA, such capital remediation initiatives could include a variety of risk reduction and capital augmentation measures, including the use of reinsurance, restructuring certain insured obligations with counterparties and raising debt and equity capital. Moody's believes these plans lack the degree of certainty that would have led to a rating affirmation. To the extent SCA is able to rebuild its capital position and adequately address the company's capital adequacy shortfall, we would likely confirm the company's ratings at their current levels. However, if SCA is unable to resolve the current stress on its capitalization over the period of the review, which Moody's would expect to conclude within the next few months, we believe the company's ratings would likely be downgraded. The magnitude of any potential downgrade would depend on a number of variables, including capital remediation measures enacted, as well as SCA's prospective strategic plan and business profile.

INDUSTRY CONDITIONS & BUSINESS MODEL

There exists uncertainty with regard to the ultimate performance of financial guarantors' insured mortgage-related portfolios in the current environment that could result in further capital needs. There is also some uncertainty about how these companies' strategies -- and even the business of financial guaranty insurance more generally -- could change in the future given the dramatic dislocation seen in credit markets in recent months.

For this reason, beyond the current analytical focus on risk-adjusted capital adequacy and capital remediation plans, Moody's will also continue to evaluate the broader influence of credit market turmoil on the guarantors' business models and ratings going forward. There are a number of factors that influence financial guaranty ratings, including the availability of sufficient market opportunities to underwrite profitable, low-risk business over time. Market demand is a function of many variables, including general market conditions and

spreads, the robustness of specific markets where financial guaranty insurance is considered to add value, regulatory guidelines, competitive dynamics and access to capital.

In some ways, the current period of dislocation in credit markets presents business opportunity for financial guarantors, as investors develop heightened sensitivity to credit risk and the risk premium for credit increases. At the same time, the exposures of some guarantors to the same type of credit stresses seen in the market more generally have led investors to view financial guaranty insurance -- and some financial guarantors -- more cautiously. It is not yet clear if, and how, recent disruption in credit markets might alter the demand function for financial guaranty insurance in the future. Moody's will continue to evaluate those issues, and their effect on ratings for these companies and the sector, as information develops.

LIST OF RATING ACTIONS

AMBAC

The following ratings have been affirmed with a stable outlook:

Ambac Assurance Corporation -- insurance financial strength at Aaa;

Ambac Assurance UK Limited -- insurance financial strength at Aaa;

Ambac Financial Group, Inc. -- senior unsecured debt at Aa2, junior subordinated debt at Aa3 and provisional preferred stock at (P)A1;

Anchorage Finance Sub-Trusts I, II, III and IV -- contingent capital securities at Aa2; and

Dutch Harbor Finance Sub-Trusts I, II, III and IV -- contingent capital securities at Aa2.

The most recent rating action on Ambac was on February 7, 2007, when Moody's assigned provisional ratings to the company's universal shelf registration and a Aa3 rating on \$400 million of junior subordinated notes.

ASSURED GUARANTY CORP.

The following ratings have been affirmed with a stable outlook:

Assured Guaranty Corp. - insurance financial strength at Aaa;

Assured Guaranty (UK) Ltd - insurance financial strength at Aaa;

Woodbourne Capital Trusts I, II, III, and IV - contingent capital securities at Aa2;

Assured Guaranty US Holdings, Inc. - senior unsecured debt at Aa3; provisional senior unsecured debt at (P)Aa3; provisional subordinated debt at (P)A1; junior subordinated debt at A1.

Assured Guaranty Ltd. -- issuer rating at Aa3; provisional senior unsecured shelf at (P)Aa3; provisional subordinated debt at (P)A1; provisional preferred stock at (P)A2; and

Assured Guaranty Capital Trusts I and II - provisional preferred stock at (P)A1.

The last rating action on Assured Guaranty occurred on July 11, 2007, when Moody's upgraded the insurance financial strength rating of Assured Guaranty Corp. to Aaa from Aa1 and affirmed the insurance financial strength ratings of Assured Guaranty Re Ltd. at Aa2.

CIFG

The following ratings have been affirmed, with the outlook changed to negative from stable:

CIFG Guaranty -- insurance financial strength at Aaa;

CIFG Europe -- insurance financial strength at Aaa; and

CIFG Assurance North America, Inc. -- insurance financial strength at Aaa.

The last rating action on CIFG occurred on November 17, 2006, when Moody's affirmed the company's Aaa insurance financial strength rating following the contribution of CIFG to Natixis by Caisse Nationale des Caisses d'Epargne.

FGIC

The following ratings have been placed on review for possible downgrade:

Financial Guaranty Insurance Company -- insurance financial strength at Aaa;

FGIC UK Limited -- insurance financial strength at Aaa;

FGIC Corporation -- senior unsecured debt at Aa2; and

Grand Central Capital Trusts I-VI -- contingent capital securities at Aa2.

The last rating action on FGIC occurred on December 15, 2004, when Moody's assigned a Aaa insurance financial strength rating to FGIC UK Limited.

As a result of this review, the Moody's-rated securities that are "wrapped" or guaranteed by FGIC are also placed under review for possible downgrade. A full list of these securities will be made available later this evening under "Ratings Lists" on the company's website at www.moody.com/guarantors.

FSA

The following ratings have been affirmed with a stable outlook:

Financial Security Assurance Inc. -- insurance financial strength at Aaa;

Financial Security Assurance (U.K.) Limited -- insurance financial strength at Aaa;

Financial Security Assurance Intl Ltd. -- insurance financial strength at Aaa;

Financial Security Assurance Holdings Ltd. -- senior unsecured debt at Aa2, junior subordinated debt at Aa3 and provisional preferred stock at (P)A1.

FSA Seguros Mexico S.A. de C.V. -- insurance financial strength at Aaa and Aaa.mx (national scale rating); and

Sutton Capital Trusts I, II, III and IV -- contingent capital securities at Aa2.

The last rating action on FSA occurred on November 15, 2006, when Moody's assigned an A1 rating to FSA's \$300 million issuance of junior subordinated notes.

MBIA

The following ratings have been affirmed, with the outlook changed to negative from stable:

MBIA Insurance Corporation -- insurance financial strength at Aaa;

MBIA Insurance Corporation of Illinois -- insurance financial strength at Aaa;

Capital Markets Assurance Corporaton -- insurance financial strength at Aaa;

MBIA UK Insurance Limited -- insurance financial strength at Aaa;

MBIA Assurance S.A. -- insurance financial strength at Aaa;

MBIA Mexico S.A. de C.V. -- insurance financial strength at Aaa and Aaa.mx (national scale rating)

MBIA Inc. -- senior unsecured debt at Aa2, provisional subordinated debt at (P)Aa3 and provisional preferred stock at (P)A1; and

North Castle Custodial Trusts I-VIII -- contingent capital securities at Aa2.

The most recent rating action on MBIA occurred on January 29, 2007, when Moody's affirmed MBIA's ratings (insurance financial strength at Aaa) following the announcement of a definitive settlement between MBIA and the Securities and Exchange Commission, the New York Attorney General's Office, and the State of New York Insurance Department following an investigation of MBIA by such regulatory agencies.

RADIAN ASSET ASSURANCE

The following ratings have been affirmed with a stable outlook:

Radian Asset Assurance Inc. - insurance financial strength at Aa3; and

Radian Asset Assurance Limited - insurance financial strength at Aa3.

The last rating action on Radian Asset occurred on September 5, 2007, when Moody's affirmed the company's ratings (insurance financial strength at Aa3) while placing the ratings of Radian Group Inc. and its mortgage insurance subsidiaries on review for possible downgrade.

SECURITY CAPITAL ASSURANCE

The following ratings have been placed on review for possible downgrade:

XL Capital Assurance Inc. -- insurance financial strength at Aaa;

XL Capital Assurance (U.K.) Limited -- insurance financial strength at Aaa;

XL Financial Assurance Ltd. -- insurance financial strength at Aaa;

Security Capital Assurance Ltd -- provisional senior unsecured debt at (P)Aa3, provisional subordinated debt at (P)A1 and preference shares at A2; and

Twin Reefs Pass-Through Trust -- pass-through securities at Aa2.

The most recent rating action on SCA was on September 6, 2007, when Moody's assigned provisional ratings to the company's universal shelf registration (senior debt at (P)Aa3).

As a result of this review, the Moody's-rated securities that are "wrapped" or guaranteed by the XL Capital Assurance companies are also placed under review for possible downgrade. A full list of these securities will be made available later this evening under "Ratings Lists" on the company's website at www.moody.com/guarantors.

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