

Stone Tower Capital LLC

- Manages **global mortgages** for MLC, since 2010
- Manages \$20 billion, across the world, as at 30 June 2011.
- Company is majority owned by the investment team
- Founded in 2001
- Based in New York, USA
- Employs 28 investment professionals

Stone Tower's Portfolio Asset Management System ("PAMS") is a customized, state of the art analytic and surveillance system that has allowed the Firm to analyse over 2,500 different securities, providing the firm with a unique perspective on the valuation of structured credit securities in the non-agency RMBS, CMBS, CDO, and CLO markets.

Why MLC has chosen Stone Tower

Stone Tower specialises in credit management and has competitive strength in the analysis of non-agency mortgage portfolios. They have a disciplined investment process that has served them well at managing and avoiding defaults and other credit problems in the recent financial crisis. The depth and strength of their research approach to mortgage backed securities focuses on the quantitative stress testing of a security's cash flows via a scenario based approach. Their competitive strength in creating and preserving capital make Stone Tower an excellent choice as a global mortgages manager for MLC.



Michael J. Levitt
Chairman and Chief
Executive Officer

Philosophy on investing

Stone Tower maintains a conservative approach to investing in structured securities. Careful not to simply 'invest on price,' the firm employs a combination of credit and relative value analyses. At the forefront of this approach is the manager's philosophy that underlying credit can be analysed by considering three fundamental characteristics of a deal: collateral, structure, and manager and / or servicer. Moreover, they assess relative value through both past and current performance.

All positions are re-underwritten to understand the intricacies of a deal's structure. In addition, an extensive analysis is performed on the underlying loans and / or securities in each structure.

Investment process

Stone Tower's process begins with the sourcing of ideas. To gain exposure to the broadest array of ideas possible, the firm interfaces with all of the major banks and broker / dealers, as well as key market participants whom in many cases they have known for long periods of time. Given the experience of their investment team and their position in the market, they are approached by a vast array of counterparties regarding potential trades.

If a trade appears to offer potential, the investment team begins a series of evaluations, designed to provide an in-depth examination of the security as well as to determine its intrinsic value. In performing this analysis, the team employs a consistent, disciplined investment process across all sectors of the structured credit markets. They use both a top down and a bottom up approach. At the deal level, they thoroughly examine the documentation, the structure, and the cash flow waterfall. On the level of the underlying collateral, using their proprietary PAMS system, they examine the credit quality of the assets, their characteristics, and their likely behaviour under different scenarios. Once this analysis has been completed, they stress the collateral and the structure to determine the robustness of the security. From this, the team is able to generate their own notion of intrinsic worth and to determine the security's relative value in comparison to other similar bonds in the market.

The Firm's Structured Credit business began in 2004 with the issuance of Stone Tower CDO Ltd. In 2006, the Firm made a significant hire in James Galowski, former President of Brightwater Capital. Currently, Jim and his team of nine investment professionals - consisting of specialists on various aspects of the structured credit markets, including RMBS, CMBS, CDOs, and CLOs - manage approximately AUD\$15 billion. Unlike many of their peers who specialize in one sector of the market, this highly experienced team, with some members having over twenty years in the structured credit markets, has the expertise and experience to move from one part of the market to another, depending on relative value and market opportunities. Finally, their role as a replacement manager and liquidation agent for a wide variety of structured credit transactions enables them to have a deep understanding of the market and how securities trade. They have taken over the management of two structured investment vehicles (SIVs) and 13 ABS CDOs, totaling approximately AUD\$30 billion. In addition, to date they have acted as liquidation agent for 36 ABS portfolios, with a notional value of over AUD\$44 billion. In their role as replacement manager and liquidation agent, they have done in-depth analysis of over 2,500 different securities using their PAMS system. This activity has not only deepened their understanding of the structured credit markets but has given them real time knowledge of where many securities trade.

Investment people

Name	Education	Years in Industry	Years with STC
Jonathan I. Berger	Wharton School, B.S.	20	4
W. Anthony Edson	Morehouse College, B.A.	15	10
James E. Galowski	St. John's University, B.S. Fordham University, M.B.A.	26	4
Michael J. Levitt	University of Michigan, J.D. University of Michigan, B.B.A.	28	10
Robert Coors	St. John's University, B.S. Frank G. Zarb School of Business at Hofstra University, M.B.A.	24	4
Olga Dadamatova	Hunter College, B.S. Bernard Baruch College, M.S.	13	4
Aleksey V. Leksanov	St. Petersburg State Technical University, Russia, B.Sc. Pennsylvania State University, Doctorate	11	4
Charles Pettinato	Villanova University, B.S.	14	4
David Saitowitz ⁽¹⁾	University of Colorado at Boulder, B.S.	10	7
Daniel M. Castaline	Harvard College, B.A.	7	4
Tom Nash	University of Virginia, B.A.	5	3

Name	Education	Years in Industry	Years with STC
Mark Smetana	Purdue University, B.S.	17	4
Alexander Fefer	Bernard Baruch College, B.B.A. University of Stony Brook, M.Sc.	15	4

⁽¹⁾ David Saitowitz joined Stone Tower in 2004 as a Senior Investment Analyst in corporate credit. Mr. Saitowitz now has dual responsibilities to the structured and corporate credit teams.

Structured Credit Investment Committee	
Michael J. Levitt Chairman & Chief Executive Officer	Jonathan I. Berger Chief Investment Officer & President
James E. Galowski Head of Structured Credit	Robert Coors Senior Portfolio Manager
Structured Credit	
Olga Dadamatova RMBS, ABS	Daniel M. Castaline RMBS, CMBS, CLO, CDO, ABS
Aleksey V. Leksanov, PhD, FRM HG/HY Corp Credit, CDX, LCDX, LCDS	Tom Nash CMBS, CRE CDO
Charles Pettinato RMBS, CMBS, ABS	Mark Smetana Senior ABS Portfolio Systems Developer
David Saitowitz ⁽¹⁾ CLO, Corporate Credit	Alexander Fefer ABS Portfolio Systems Developer

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