

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 04-60573 CIV-MORENO

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MUTUAL BENEFITS CORP., et. al.,

Defendants,

VIATICAL BENEFACTORS, LLC, et. al,

Relief Defendants.

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**CREDIT SUISSE SECURITIES (EUROPE) LIMITED'S OBJECTION  
TO THE RECEIVER'S MOTION TO APPROVE SALES OF POLICIES  
AND INCORPORATED MEMORANDUM OF LAW (Policy AP#99-0007778)**

Credit Suisse Securities (Europe) Limited ("Credit Suisse"), by and through its counsel hereby files this objection (the "Objection") to the Receiver's Motion to Approve Sales of Policy and Incorporated Memorandum of Law (Policy AP# 99-0007778) (the "Sale Approval Motion") [D.E. 2034]. In support of this Objection, Credit Suisse respectfully represents as follows:

**I. PRELIMINARY STATEMENT**

Credit Suisse is ready, willing and able to make an all-cash bid (without contingencies) of \$9,500,000 for Policy #99-0007778 (the "Policy") on the same terms and conditions set forth in the proposed asset purchase agreement (the "APA") annexed to the Sale Approval Motion. However, Roberto Martinez, the Court appointed receiver (the "Receiver") to Mutual Benefits Corporation, Viatical Benefactors, LLC, Viatical Services, Inc., and Anthony

Livoti, Jr. and Anthony Livoti Jr. P.A., solely in their capacity as trustees (collectively, the “Receivership Entities”), has – for reasons unknown – determined to prejudice the creditors of the Receivership Entities by failing to establish a fair and transparent bidding process that will result in the highest price being realized for the Policy. For more ten months, Credit Suisse has been an active participant in this case ever since receiving the Receiver’s solicitation of bids letter, dated May 21, 2007 (the “May 21st Letter”). At the June 22, 2007 auction, Credit Suisse was declared the bidder with the highest conforming bid for the totality of the Universal Life and Term Plans of Insurance identified as Portfolio #3 in the May 21st Letter (“Portfolio #3”), which contains the Policy. Subsequent to the Receiver’s determination not to proceed with its winning bid for Portfolio # 3, Credit Suisse remained active by consistently affirming to the Receiver its willingness and determination to purchase some or all of the policies in Portfolio #3. Yet, the Receiver determined to re-market Portfolio #3 and the Policy out of view of Credit Suisse and other potential bidders and now seeks to proceed with a sale with full knowledge that the Court cannot find either that the Policy were fairly marketed or that the Receiver has received the highest bid.

Credit Suisse simply asks that this Court afford it a full and fair opportunity to bid on the Policy – something that the Receiver has failed to do. Only after full, fair and transparent bidding process will the creditors of these Receivership Entities be assured that the Policy is being sold for their maximum value.

## **II. RELEVANT FACTUAL BACKGROUND**

1. On May 3, 2004, the Securities and Exchange Commission filed a complaint against MBC and other defendants in this Court alleging, *inter alia*, that MBC had engaged in widespread fraud against investors in life insurance contracts [D.E. 1]. On May 4, 2004, this

Court entered an Order appointing Roberto Martinez as the Receiver for the Receivership Entities [D.E. 26].

2. On September 14, 2005, this Court entered an Order on Disposition of Policies and Proceeds [D.E. 1339] (the "Disposition Order"). On November 22, 2005, the Court entered an Order Clarifying Disposition Order and Approving Form of Notice [D.E. 1368] (the "Clarifying Order"). Pursuant to the Disposition Order and the Clarifying Order, the defrauded investors conducted a vote as to whether certain policies should be sold at auction. As the result of the vote, 3138 of the policies (the "Salable Policies") were designated to be sold. Accordingly, certain of these policies were included in the Sale Approval Motion.

3. On May 21, 2007, the Receiver sent out the May 21st Letter soliciting bids for four portfolios of policies, defined as Portfolios #1-4. The bidding procedures attached to the May 21st Letter (the "Bidding Procedures"), set forth certain requirements for potential bidders to follow in order to qualify them to participate at an open auction on June 22, 2007. A copy of the Receiver's May 21st Letter and Bidding Procedures are annexed hereto as Exhibit A.

4. In conformity with the precise terms of the Bidding Procedures, Credit Suisse entered into the confidentiality agreement, provided proof of financial capability, conducted due diligence at its own expense, submitted an initial bid of \$100,000 for Portfolio #3, and fulfilled all other requirements set forth in the Bidding Procedures. A copy of Credit Suisse's bid cover letter, proof of financial capability, and executed asset purchase agreement is annexed hereto as Exhibit B. Accordingly, the Receiver invited Credit Suisse to participate in the Auction.

5. On June 22, 2007, the Receiver conducted an auction of Portfolios #1 - 4. Immediately prior the commencement of the Auction, the Receiver unilaterally determined to

make the first of several departures from the long-standing Bidding Procedures. Specifically, the Receiver announced that he would auction Portfolio # 3 first because that portfolio had the greatest amount of interest. In addition, the Receiver also announced that, with respect to Portfolios #1, 2, and 4, after declaring a highest bid for all three of the portfolios, the Receiver would then permit "non-conforming bids" for some or all of the three portfolios. Portfolio # 3, however, was not to be subject to the non-conforming bid process. Shortly after the commencement of the bidding on Portfolio # 3, one of the participants objected to the process on the grounds that Portfolio # 3 should not be excluded from the newly announced non-conforming bid process for Portfolios # 1, 2 and 4. The Receiver denied the request and continued with the Auction with respect to Portfolio # 3 pursuant to the terms of the noticed Bidding Procedures.

6. After an opening bid of \$1.5 million and forty-seven (47) subsequent spirited offers and counter-offers, Credit Suisse was ultimately declared to have submitted the highest and best bid for Portfolio # 3 -- with a fully conforming bid of \$ 4.6 million (representing a \$3.1 million increase from the opening bid). After being declared the highest bidder for Portfolio #3, Credit Suisse executed a statement of intent to purchase Portfolio #3. A copy of the statement is attached hereto as Exhibit C. Several hours later, Credit Suisse received a phone call from the Receiver who advised that, despite his previous determination in full view of all participants, he had received and may be willing to consider accepting a non-conforming bid for all four portfolios (which included Portfolio # 3) -- a bid in the amount of \$16.0 million.<sup>1</sup> Faced with the possibility of losing Portfolio # 3 to a non-confirming bid, Credit Suisse returned to the Auction. After protesting that the Receiver should not entertain non-conforming bids under the Bidding

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<sup>1</sup> The highest conforming bids for Portfolios #1, 2 and 4 totaled \$11.0 million. Accordingly, the aggregate of the fully conforming bids for all four portfolios was \$15.6 million.

Procedures, Credit Suisse determined to protect its investment by submitting its own non-conforming bid which was made jointly with Silver Point Capital Fund, L.P. ("Silver Point").<sup>2</sup> The Receiver ultimately determined that the joint bid of Credit Suisse and Silver Point was the highest non-conforming bid for all four portfolios in the amount of \$16.1 million. After being declared the highest bidders on a non-conforming basis for Portfolios #1 – 4, Credit Suisse and Silver Point jointly executed a statement of intent to purchase Portfolios #1 – 4. A copy of the joint statement is annexed hereto as Exhibit D. Accordingly, as of the close of business on June 22, 2007, the Receiver had declared Credit Suisse to be the highest and best bidder for Portfolio # 3 on both a conforming and non-conforming basis.

7. In compliance with the Bidding Procedures, Credit Suisse remitted an additional deposit equaling 10% of the purchase price in an amount sufficient to cover both the conforming and non-conforming bid – i.e. \$945,000. A copy of the Receiver's email, dated June 26, 2007, to Credit Suisse confirming the receipt of the deposit is annexed hereto as Exhibit E.

8. By e-mail dated June 27, 2007, the Receiver advised that he determined not to seek approval of Credit Suisse's highest bid for Portfolio #3, but would instead "welcome further discussion of proposals for the purchase of [Portfolio #3] that are higher and better than the offers received at auction. Further information on the formal re-solicitation of additional bids on [Portfolio #3] will be made available at the time the Receiver makes the determination of how such further bidding will proceed." A copy of the Receiver's June 27th e-mail is annexed hereto as Exhibit F.

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<sup>2</sup> Under the joint bid, Credit Suisse's portion of the bid would only be for Portfolio # 3. Likewise, Silver Point's portion of the bid would only be for Portfolios # 1, 2 and 4.

9. Despite his assurance to the contrary, the Receiver did not undertake a “formal re-solicitation of additional bids” for Portfolio #3 or any part thereof, but instead appears to have marketed Portfolio # 3 and the Policy out of view of interested parties and purposely prevented Credit Suisse from having any opportunity to ensure that a fair playing field among potential bidders was maintained at all times.

10. Credit Suisse made numerous written and oral requests of the Receiver to be apprised of any bid that exceeded its winning bid made at the Auction. Copies of Credit Suisse’s correspondence with the Receiver is annexed hereto as Exhibit G.

11. On or about July 19, 2007, the Receiver advised by telephone that he was accepting offers on individual policies in Portfolio #3 and that Credit Suisse should promptly make an offer. That same day, in good faith Credit Suisse made an all-cash bid of \$4.5 million for the Policy. Having not heard a response from the Receiver, by letter dated July 27, 2007, Credit Suisse requested that the Receiver advise it of any competing bids and provide an opportunity to make higher bids. A copy of the July 27, 2008 letter is annexed hereto as Exhibit H.

12. From October 17 to 19, 2007, Credit Suisse and the Receiver exchanged several e-mails whereby the Receiver advised that he was preparing to accept a bid on several of the policies in Portfolio #3 and asked that Credit Suisse confirm its interest in making competing bids. In response, Credit Suisse immediately reaffirmed its willingness to make a bid(s) and asked to be advised of the current bid on Portfolio #3 or any part thereof so that Credit Suisse could make a counter offer. However, the Receiver declined to provide any information and instead asked Credit Suisse to “make its best offer.” The Receiver further threatened that if Credit Suisse did not make an offer it could not complain if the Receiver were to proceed with

another bidder. Copies of the e-mails between Credit Suisse and the Receiver from October 17 to October 19 are annexed hereto as Exhibit I.

13. On October 22, 2007, Credit Suisse sent the Receiver a letter reiterating its willingness to bid for the Policy and Portfolio #3 and gave notice that Credit Suisse would file a formal objection to any application made by the Receiver to approve a bid for the Policy if the Receiver did not provide Credit Suisse with sufficient information to make an offer for the Policy. A copy of Credit Suisse's October 22, 2007 letter is annexed hereto as Exhibit J.

14. Having not received a response to its October 22nd letter, by e-mail dated October 29, 2007, Credit Suisse requested that the Receiver advise whether he intended to either proceed with an application to approve a bid on the Policy or provide Credit Suisse with an opportunity to make a bid. A copy of Credit Suisse's October 29th e-mail is annexed hereto as Exhibit K.

15. After several weeks of silence from the Receiver and no indication as to the amount of any formal bid made by other parties on Portfolio #3 or the Policy, on November 27, 2007, Credit Suisse again sent a letter to the Receiver. A copy of Credit Suisse's November 27th letter is annexed hereto as Exhibit L. Based upon informal discussions between counsels for the Receiver and Credit Suisse, Credit Suisse submitted an improved bid of \$5,000,000 for the Policy. However, despite its improved bid, Credit Suisse reaffirmed its: (a) request to be advised whether or not its bid was the highest and best bid; and (b) opposition to the Receiver's private marketing process which Credit Suisse believes would not yield the highest and best result for the receivership entities.

16. It would not be until January 10, 2008 before Credit Suisse would hear from the Receiver. On that date, the Receiver telephonically advised counsel that he had accepted a bid

for Portfolio #3 that “almost doubled” Credit Suisse’s current bid. Without disclosure of the identity of the bidder or the terms and amount of the bid, Credit Suisse declined to accept the Receiver’s invitation to make a counter offer.

17. Thereafter, Credit Suisse communicated several times with the Receiver regarding the Policy, but was provided no further information as to the identity of the bidder the sale to whom the Receiver would seek to approve or the terms and the amount of the bid.

18. Upon the inquiry of Credit Suisse, on February 4, 2008, the Receiver told Credit Suisse to expect a motion to approve the sale of the Policy “within the week.” No such motion was filed for the entire month of February. On March 3, 2008, the Receiver once again informed Credit Suisse that it would likely move to approve the sale of the Policy within the week. On March 11, 2008, the Receiver filed the Sale Approval Motion.

### **III. ARGUMENT**

19. Credit Suisse’s objection to the Motion is simple – it has not been afforded a fair opportunity to bid on the Policy. However, Credit Suisse’s objection can be easily remedied – by the Court affording Credit Suisse the opportunity to make a bid on the Policy in a forum where the playing field for all potential participants is level. In the absence of such an opportunity, the Receiver’s proposed sale of the Policy is deeply and fatally flawed and cannot be approved.

20. The Receiver has marketed the Policy both publicly and privately. After rejecting Credit Suisse’s good-faith and arms-length offers made in broad daylight, the Receiver now stands ready to go forward with a sale of the Policy that was undertaken in shadows. Because



Credit Suisse has been excluded both from the re-marketing process and has not been provided with an opportunity to bid, the Receiver has failed to maximize value of the Policy for the benefit of the creditors of these Receivership Entities. Indeed, by failing to pursue Credit Suisse's interest after he was on full notice that Credit Suisse was ready, willing and able to make an all-cash bid for the Policy, the Receiver runs the risk of breaching his fiduciary duty to creditors.

21. It is axiomatic that a receiver is a fiduciary of the receivership estate. See Crites Inc. v. Prudential Ins. Co., 322 U.S. 408 (1944) (holding that receiver violated its duty by failing to disclose a potentially higher bid prior to seeking approval of sale of receivership property for a lower price); Jackson v. Smith, 254 U.S. 586 (1921) (receiver liable to the receivership estate where the receiver's collusion with buyer of receivership property was an act "which a fiduciary could not legally pursue"); In re Sundance Corp., 149 B.R. 641, 650 (Bankr. E.D. Wash. 1993) (finding that "claims arise when a receiver breaches its fiduciary duties by mismanaging the receivership."). In the present context, the duty of the Receiver is to protect the creditors of the Receivership Entities by maximizing the value of the Salable Policies. See Order Appointing Receiver [D.E. 26] (noting that the SEC filed its emergency motion seeking appointment of the Receiver to "take whatever actions are necessary for the protection of the investors"); In re CADA Inv. Inc., 664 F.2d 1158 (9th Cir. 1981) (affirming lower court order setting aside an order confirming a sale of receivership property when the receiver neglected to pursue a potentially higher bid prior to seeking approval of the sale). Moreover, as an officer or arm of the court, the Receiver is "bound to act fairly and openly with respect to every aspect of the proceedings before the court." Crites, 322 U.S. at 414; see also Sundance, 149 B.R. 641, 654 ("When a receiver accepts appointment to its office, it undertakes duties to the court and to the estate."). Clearly, the Receiver has failed to discharge these obligations.

22. The Receiver's decision to carry out a secretive re-marketing process rather than a formal one harms the investors in the Receivership Entities. It is generally recognized that an open competitive bidding process fetches the best return for the sellers because it encourages serious bidders to expend their own resources to participate in the process by allowing the bidders to rely on the fairness of the competition. Moreover, open bidding reduces the risk of subsequent litigation and cost to the estate by verifying that no party intends to make a higher bid. Notwithstanding the benefits of an open competitive process, the Receiver has refused to provide any degree of transparency and fairness. After parties expended their own resources to conduct extensive due diligence, the Receiver repeatedly changed the rules of bidding and later nullified the result of the auction. Thereafter, the Receiver promised "formal re-solicitation" and later abandoned any pretense of any intention to fulfill his promise after months of delay. The Receiver has made it clear to potential buyers that their good faith participation at their own expense will buy them only delay, misinformation, and litigation.

23. The Receiver's conduct to date has not maximized the recovery to the creditors of the Receivership Estates. An open an fair auction process that includes Credit Suisse should ensure that the Policy will be sold for maximum value.

#### IV. CONCLUSION

24. For the forgoing reasons, Credit Suisse respectfully requests that the Court: (a)(i) provide Credit Suisse with an opportunity for a hearing on the Sale Approval Motion to submit higher and better bids for the Policy or, (ii) in the alternative, deny the Sale Approval Motion and direct the Receiver to conduct an open an fair auction process for the Policy that includes a

minimum bid by which the Receiver will be bound to go forward with and (b) grant Credit Suisse such other relief that the Court deems just and proper.

Dated: March 24, 2008

By: s/Andrew Hellinger  
HELLINGER & PENABAD, P.A.  
Andrew B. Hellinger  
235 Altara Avenue  
Coral Gables, Florida 33146  
Tel: (305) 567-2869  
Fax: (305) 447-2294

- and -

SIDLEY AUSTIN LLP  
Geoffrey T. Raicht (pro hac vice)  
787 Seventh Ave.  
New York, NY 10019  
Tel: (212) 839-5300  
Fax: (212) 839-5599

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served upon all counsel of record via the Court's ECF system this 20<sup>th</sup> day of March, 2008.

HELLINGER & PENABAD, P.A.  
235 Altara Avenue  
Coral Gables, Florida 33146  
Tel: (305) 567-2869; Fax: (305) 447-2294

By: s/Andrew Hellinger  
Andrew B. Hellinger, Esq.  
Florida Bar No: 861553

**EXHIBIT A**

**KOZYAK • TROPIN  
THROCKMORTON**  
ATTORNEYS AT LAW

David L. Rosendorf, Esq.  
dlr@kttlaw.com | 305.377.0651

May 21, 2007

**MUTUAL BENEFITS CORP. SOLICITATION OF BIDS**

Dear Potential Bidder:

Roberto Martínez ("Receiver"), as the Court-appointed receiver for Mutual Benefits Corp., Viatical Services, Inc. and Viatical Benefactors LLC ("Receivership Entities"), invites interested parties to submit offers to bid on the purchase of four portfolios of viatical insurance policies. The four portfolios collectively consist of approximately 1,949 policies with a face value of approximately \$241,218,185. The Receiver seeks offers to purchase these four portfolios consistent with the Bidding Procedures attached to this letter. This letter and the attached Bidding Procedures set forth information on the process and requirements to qualify as a Potential Bidder and to participate in the Auction of these four portfolios.

Please note that to be considered as a qualified Potential Bidder, you must satisfy certain qualifying requirements and submit a qualifying Bid by June 18, 2007 as described in the attached Bidding Procedures. If multiple qualified Bids are submitted, an Auction will be conducted in accordance with the Bidding Procedures on June 22, 2007.

**Background**

On May 4, 2004, Mr. Martínez was appointed as Receiver for the Receivership Entities in connection with an action filed by the Securities and Exchange Commission against the Receivership Entities in the United States District Court for the Southern District of Florida (the "Court") styled *SEC v. Mutual Benefits Corp., et al.*, Case No. 04-60573-CIV-MORENO. Pursuant to the Order Appointing Receiver ("Receivership Order"), the Receiver was given full and exclusive power, duty and authority to administer and manage the business affairs and assets of the Receivership Entities. You may find the Receivership Order and other related court documents on the Receiver's website at www.mbreceiver.com.

The Receivership Entities were in the business of entering into and soliciting investments in viatical or life settlement transactions. A viatical settlement is a transaction in which a terminally ill owner of a life insurance policy sells the policy for an amount greater than the cash surrender value of the policy, but lower than the face amount, to an investor, who then receives a

2525 Ponce de Leon, 9th Floor, Miami, Florida 33134 | Phone 305.372.1800 | Fax 305.372.3508

EXHIBIT

A B

MBC Bid Solicitation  
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approximate aggregate face amount of these policies is \$ 57,187,090. Portfolio #2 is comprised of plans of insurance that are Universal Life and Whole Life with face amounts ranging from \$1,000 to \$3,000,000. The approximate net cash surrender value of Portfolio #2 is \$3,010,226.

***Portfolio # 3***

Portfolio #3 is comprised of six (6) policies insuring the lives of individuals that are Non-HIV or Life Settlements. The aggregate face amount of these policies is \$64,547,500.00. Of these six policies in Portfolio #3, five (5) are Universal Life and one (1) is Term (this term policy is within its conversion period) with face amounts ranging from \$500,000 to \$50,000,000. The approximate net cash surrender value of Portfolio #3 is \$577,481.

***Portfolio # 4***

Portfolio #4 is comprised of 749 policies; 726 of which insure the lives of individuals with HIV and 23 of which insure the lives of individuals that are Non-HIV or Life Settlements. The approximate aggregate face amount of these policies is \$63,698,123. Portfolio #4 is comprised of plans of insurance that are Term, Employer Group (including Federal Employees Group Life Insurance "FEGLI") and Association Group Term with face amounts ranging from \$2,000 to \$1,000,000.

**IMPORTANT NOTICE:** These figures are approximate as of May 18, 2007 based on information in the VSI database as of that date. Policies are subject to removal from a Portfolio prior to sale in accordance with the Asset Purchase Agreement. Notification of any removed policies will be provided in the course of due diligence and prior to Closing.

**Bidding Process & Auction**

The Bidding Process is set forth in the attached Bidding Procedures. Without modifying the attached Bidding Procedures (which any Potential Bidder should review in detail), in order to participate in the Bidding Process, a Potential Bidder must first submit: (i) an executed confidentiality agreement; (ii) current financial statements demonstrating the Potential Bidder's financial capacity; and (iii) an executed Affidavit of Non-Affiliation attesting that the Potential Bidder has no relation to any of the Receivership Entities, named Defendants and Relief Defendants and has never been officers, agents, employees, successors, or otherwise were in active or inactive concert or participation with any of them. Within two (2) Business Days after receipt of these items, the Receiver will determine if such materials are satisfactory and upon acceptance thereof, will provide due diligence materials to the Potential Bidder.

Due diligence materials will consist of a chart of the Policies in each Portfolio with relevant information as to each policy, together with other information available to the Receiver relating to the Policies, and a copy of the Asset Purchase Agreement to be executed in connection with the purchase and sale of the Policies. In addition, Potential Bidders may make arrangements to conduct on-site due diligence at MBC's office.

MBC Bid Solicitation  
May 21, 2007  
Page 4

The deadline for submitting a Bid is 5:00 p.m. (prevailing Eastern time) on June 18, 2007. The requirements for a qualified Bid are set forth in the Bidding Procedures. Any Potential Bidder may submit a Bid for any one, some, or all of the four Portfolios presently offered by the Receiver, however, a separate Bid must be submitted for each Portfolio for which a Potential Bidder intends to make a Bid. Each Bid should identify the Portfolio as to which such Bid is submitted.

If the Receiver has received more than one qualified Bid with respect to a particular Portfolio, the Receiver will conduct an Auction at 10:00 a.m. (prevailing Eastern time) on June 22, 2007 at the offices of the Receiver's counsel, Kozyak Tropin & Throckmorton, P.A., 2525 Ponce de Leon Boulevard, 9<sup>th</sup> Floor, Coral Gables, Florida, or such other time and place as the Receiver shall notify each Qualified Bidder. The procedures for the Auction are set forth in the Bidding Procedures.

Additional information regarding the process for acceptance of Bids and Court approval, the consequences of a Successful Bidder's failure to consummate the sale, and the procedures for return of deposits are set forth in the attached Bidding Procedures.

If you have any questions regarding the Bidding Process, please direct them to the undersigned. Thank you.

Sincerely,



David Rosendorf, Esq.  
Counsel to Roberto Martínez, Receiver

Exhibit A

**BIDDING PROCEDURES**

Set forth below are the bidding procedures (the "Bidding Procedures") to be employed with respect to the sale of the Acquired Assets identified in the Asset Purchase Agreement by and between Roberto Martinez, as the Receiver (in such capacity, "Seller") appointed by the United States District Court for the Southern District of Florida (the "Court") for Mutual Benefits Corp. ("MBC"), Viatical Services, Inc. ("VSI") and Viatical Benefactors, LLC ("VBLLC") (the "Receivership Entities") and Buyer. Unless otherwise defined herein, all capitalized terms have the meanings ascribed to them in the Agreement.

The sale of the Acquired Assets under the Agreement (the "Sale") is subject to competitive bidding upon the terms and conditions set forth in these Bidding Procedures, and approval by the Court. Seller shall (i) determine whether any person is a Qualified Bidder; (ii) coordinate the efforts of Qualified Bidders in conducting their due diligence regarding the Acquired Assets; (iii) receive Bids from Qualified Bidders; and (iv) negotiate any Bid made to purchase the Acquired Assets (the "Bidding Process"). No person other than a Qualified Bidder will be allowed to participate in the Bidding Process and Seller shall not supply any information regarding the Acquired Assets to any person who is not a Qualified Bidder.

**Participation Requirements**

In order to participate in the Bidding Process, each interested person (the "Potential Bidder") must deliver to Seller:

- (i) an executed confidentiality agreement in the form attached hereto;
- (ii) current financial statements (audited if available) of (A) the Potential Bidder, or (B) if the Potential Bidder is an entity formed for the purpose of acquiring the Acquired Assets, current financial statement (audited if available) of the equity holder(s) of the Potential Bidder who shall guarantee the obligations of the Potential Bidder, or provide such other form of financial disclosure or credit-quality support information or enhancement acceptable to Seller in Seller's business judgment; and
- (iii) an executed Affidavit of Non-Affiliation attesting that they have no relation to any of the Receivership Entities, named Defendants and Relief Defendants and have never been officers, agents, employees, successors, or otherwise were in active or inactive concert or participation with any of them, in the form attached hereto.

Within two (2) Business Days after a Potential Bidder delivers all the materials set forth above to Seller, Seller shall determine and shall notify the Potential Bidder if such materials are satisfactory to Seller based on Seller's business judgment.



**Due Diligence**

Upon Seller's acceptance and approval of the materials set forth above, Seller shall deliver to each such Potential Bidder a chart of the Policies included in the Acquired Assets in Microsoft Excel format, which will contain relevant information as to each policy. The chart will include, for each policy, the date of birth of the insured, the last date of contact, the carrier, the type of policy, whether the policy was converted, the face value, the gross and net cash value, the last dividend (if any), the date values were last updated, the due date of cash value guaranteed rates, whether the policy is on premium waiver, the date premium waiver needs to be recertified, the due date of the premium, the mode of premium payment, the amount of the premium, the date the policy was issued, and whether the insured is HIV-positive. Each Potential Bidder will also receive a DVD of scanned Verification of Coverage ("VOC") forms in Portable Document Format ("PDF"), which have been completed by the carrier as to each Policy, when provided by the carrier. In addition, Potential Bidders will receive a copy of the Asset Purchase Agreement to be executed in connection with the purchase and sale of the Acquired Assets.

All Potential Bidders who have been approved by Seller may contact Stephen Fernstrom (contact information below) to schedule an on-site viewing of the actual bidding package files. All bidding packages will be available on a DVD and in paper hard-copy format. The on-site viewing will be held at the MBC office in Pompano Beach, Florida during regular business hours. No alternative arrangements will be made. Approved Potential Bidders are invited, urged and cautioned to inspect all available information prior to submitting a bid.

**Initial Bid Deadline**

A Potential Bidder that desires to make a Bid shall deliver written copies of its Bid to Seller no later than **5:00 p.m. (prevailing Eastern time) on June 18, 2007** (the "**Bid Deadline**"). Bids shall be delivered to Seller's counsel at:

Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce de Leon Boulevard, 9<sup>th</sup> Floor  
Coral Gables, FL 33134  
Attention: David L. Rosendorf, Esq.  
Telefacsimile: (305) 372-3508  
Email: [drosendorf@kttlaw.com](mailto:drosendorf@kttlaw.com)

with a copy to:

Stephen Fernstrom  
VSI/MBC  
43 South Pompano Parkway, #112  
Pompano Beach, FL 33069  
Tel: (954) 582-0220 Ext 244  
Fax: (954) 582-0223  
Email: [S.Fernstrom@vsi-services.com](mailto:S.Fernstrom@vsi-services.com)

### Bid Requirements

A bid ("Bid") is a letter from an approved Potential Bidder stating that: (i) the approved Potential Bidder offers to purchase the Acquired Assets on the terms set forth in the Agreement, and setting forth the amount of the Initial Bid; and (ii) the Potential Bidder's offer is irrevocable until 48 hours after closing of the Sale to the Successful Bidder. A Bid must be accompanied by: (i) the Initial Deposit of \$100,000 required by the Agreement; and (ii) written evidence of an unconditional commitment for financing or other evidence of financial ability to consummate the transaction, acceptable to Seller in his sole discretion. Each Bid shall specify the Portfolio as to which the Bid is made. If a Potential Bidder seeks to make a Bid on multiple Portfolios, a separate Bid (satisfying all of the foregoing requirements including an Initial Deposit with respect to each such Bid) shall be submitted as to each Portfolio.

Seller will consider a Potential Bidder to be a "Qualified Bidder" only if in Seller's business judgment the Potential Bidder's Bid meets all of the following requirements:

- (i) the Bid is all cash and does not contain any form of contingent consideration or consideration that is dependent on the maturity of the Policies;
- (ii) the Bid is in the form of the Agreement;
- (iii) the Bid is not subject to a financing or due diligence contingency; and
- (iv) the Bid is accompanied by such other information as is reasonably requested by Seller.

Within two (2) Business Days after receipt of a Bid, Seller shall advise the Potential Bidder if they are a Qualified Bidder.

### Auction

If Seller has received more than one Bid from a Qualified Bidder with respect to a particular Portfolio, Seller will conduct an auction (the "Auction"). The Auction shall take place at 10:00 a.m. (prevailing Eastern time) on June 22, 2007 (the "Auction Date"), at the offices of Kozyak Tropin & Throckmorton, P.A., 2525 Ponce de Leon Boulevard, 9<sup>th</sup> Floor, Coral Gables, FL, or such other time and place as Seller shall notify each Qualified Bidder.

Only Qualified Bidders shall be allowed to participate in the Auction. Within two (2) Business Days after the Bid Deadline, Seller shall advise each Qualified Bidder of the highest Initial Bid received by Seller from a Qualified Bidder for the purchase of the Acquired Assets. Each Qualified Bidder must inform Seller one (1) business day prior to the Auction Date of its intent to participate in the Auction. Seller may require a Qualified Bidder to provide proof of its financial ability to consummate a transaction in the amount of the highest Initial Bid, if in Seller's business judgment the information already

provided by such Qualified Bidder is inadequate. Each Qualified Bidder who has timely advised Seller of its intent to participate in the Auction and who has, in Seller's sole discretion, demonstrated a financial ability to consummate a transaction in the amount of the highest Initial Bid, shall be eligible to participate in the Auction (an "Auction Participant").

At the Auction (i) each Auction Participant will be permitted to increase its Bid; and (ii) all Bids shall be made and received in one room, on an open basis, and all other Auction Participants shall be entitled to be present for all bidding with the understanding that the true identity of each Auction Participant shall be fully disclosed to all other Auction Participants and that all material terms of each Bid will be fully disclosed to all other Auction Participants throughout the entire Bidding Process. Bidding shall be in increments of at least 1% of the highest Initial Bid and shall be on an all cash basis and shall not contain any form of contingent consideration or consideration that is dependent upon the maturity of the Acquired Assets.

The Auction shall continue until such time as each Auction Participant has indicated its unwillingness to increase its Bid in accordance with these Bidding Procedures. Upon conclusion of the Auction, Seller shall identify the Bid that in its business judgment based on the requirements of these Bidding Procedures is the highest and best Bid (the "Highest Bid"). Seller shall notify all Auction Participants, prior to the adjournment of the Auction, of the Highest Bid, and of the next highest and best Bid (the "Backup Bid").

Within one (1) Business Day after the conclusion of the Auction, the Bidder who submitted the Highest Bid ("Highest Bidder") and the Bidder who submitted the Backup Bid ("Backup Bidder") shall each remit to Seller a second deposit equal to 10% of their respective final Bids at Auction, less \$100,000.00 (the "Second Deposit"), in immediately available funds, such that each such Bidder's Initial Deposit together with their Second Deposit shall equal 10% of such Bidder's final Bid at Auction.

In the event that the Highest Bidder fails to timely remit the Second Deposit, then its Initial Deposit shall be forfeited and Seller may in his business judgment proceed to sell the Acquired Assets to the Backup Bidder as if the Backup Bidder were the Highest Bidder in accordance with the procedures set forth below. In the event that the Backup Bidder fails to timely remit the Second Deposit, then its Initial Deposit shall be forfeited.

#### Acceptance of Bid

Seller may (a) determine, in its business judgment, which Bid, if any, if the Highest Bid; and (b) reject, at any time before entry of the Sale Order, any Bid that (i) is inadequate or insufficient, (ii) not in conformity with these Bidding Procedures, any order of the Court, or the terms and conditions of the Agreement, or (iii) contrary to the best interests of Seller. If Seller determines, in his sole discretion, that the Highest Bid represents a transaction which is in the best interests of the Receivership Entities and their creditors, then Seller shall notify the Highest Bidder of his acceptance of such Bid, subject to Court approval. If Seller determines, in his sole discretion, that the Backup Bid

represents a transaction which is in the best interests of the Receivership Entities and their creditors, then Seller shall notice the Backup Bidder of his acceptance of such Bid, subject to Court approval and subject to the failure of the Highest Bidder to timely close on the Sale pursuant to and in accordance with the terms of the Agreement.

Promptly after the conclusion of the Auction and Seller's determination that the Highest Bid (and, if applicable, Backup Bid) represents a transaction which is in the best interest of the Receivership Entities and their creditors, Seller shall file a motion with the Court seeking the entry of a Sale Order approving the selection of the Highest Bidder as the Successful Bidder and authorizing and approving the Sale to the Successful Bidder pursuant to the terms and conditions of the Agreement, and, if applicable, approving the selection of the Backup Bidder. Upon the entry of such Sale Order, the Highest Bidder shall be the "Successful Bidder". Seller shall seek the entry of the Sale Order on an expedited basis as soon as reasonably possible following the conclusion of the Auction. Seller shall have accepted a Bid only when such Bid has been approved by the Court pursuant to the Sale Order.

Subject to Court approval pursuant to the Sale Order, Seller shall effect the Sale of the Acquired Assets to the Successful Bidder in accordance with the terms of the Agreement.

#### Failure to Consummate Sale

If the Successful Bidder fails to consummate the sale of the Acquired Assets because of a breach or failure to perform on the part of such Successful Bidder, Seller shall be authorized to effect a sale to the Backup Bidder pursuant to the terms of the Backup Bid, as approved pursuant to the Sale Order, without further order of the Court. The Successful Bidder's Initial Deposit and Second Deposit shall be forfeited to Seller, and except to the extent otherwise provided in the Agreement, Seller expressly reserves all rights to seek damages or other relief from such Successful Bidder.

In the event that the Successful Bidder fails to Close by the Closing Date (which is no later than three (3) Business Days after the entry of the Sale Order), Seller, within 24 hours thereafter, shall notify the Backup Bidder of such failure and Backup Bidder shall become the Successful Bidder, and the Closing Date with respect to the Backup Bidder shall be within two (2) Business Days after Seller's transmission of such notice to the Backup Bidder.

#### Return of Deposits

The Initial Deposit and Second Deposit of the Successful Bidder and the Backup Bidder shall be held by Seller until the later of (i) two (2) Business Days after consummation of the Sale of the Acquired Assets, or (ii) the date upon which the Agreement is terminated in accordance with its terms, subject to the terms set forth in the Agreement. All other Initial Deposits and Second Deposits of all other Auction Participants shall be returned within two (2) Business Days after the conclusion of the Auction.

**Contact Information**

**For Bid Qualification Information Contact:**

David Rosendorf, Esq.  
Counsel to Receiver Roberto Martinez  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce De Leon, 9<sup>th</sup> Floor  
Coral Gables, FL 33134  
Tel: (305) 372-1800  
Fax: (305) 372-3508  
email: [drosendorf@kttlaw.com](mailto:drosendorf@kttlaw.com)

**For Due Diligence Coordination Contact:**

Stephen Fernstrom  
VSI/MBBC  
43 South Pompano Parkway, #112  
Pompano Beach, FL 33069  
Tel: (954) 582-0220 Ext 244  
Fax: (954) 582-0223  
Email: [S.Fernstrom@vsi-services.com](mailto:S.Fernstrom@vsi-services.com)

**CONFIDENTIALITY AGREEMENT**  
**BIDDER FOR MUTUAL BENEFITS VIATICAL PORTFOLIOS**

AGREEMENT dated \_\_\_\_\_, 2007, by and among Roberto Martinez, Receiver for Mutual Benefits Corp., Viatical Services, Inc. Viatical Benefactors, LLC, Peter Lombardi, Leslie Steinger a/k/a/ Leslie Steiner, and Anthony Livoti, Jr., P.A. and related entities ("MBC"), and \_\_\_\_\_ (the "Bidder").

WHEREAS, the Bidder wishes to undertake due diligence review of records related to the insurance policies in which MBC holds or expects to be awarded beneficial and/or ownership interests (the "Insurance Portfolios"), for the purpose of making an offer to purchase those interests;

WHEREAS, the Bidder has requested to undertake a due diligence review of the Insurance Portfolios by viewing documents and records in the possession of the Receiver and not otherwise subject to review;

WHEREAS, the relevant records contain information of a highly personal nature that could encroach on the privacy rights of the individuals ("viators") insured by the policies that comprise the Insurance Portfolios;

NOW, THEREFORE, in consideration of the mutual covenants contained herein the parties agree as follows:

1. As used herein, "Confidential Information" means all information regardless of the form, date or party from whom it is transmitted, related to any of the insurance policies that comprise the Insurance Portfolios.
2. The Bidder shall only use the Confidential Information for the purpose of evaluating a possible acquisition of the Insurance Portfolios. The Bidder shall not disclose any Confidential Information it receives from any source to any person, firm or corporation except employees of the Bidder and its affiliated companies who have a need to know the Confidential Information in connection with the possible acquisition of the Insurance Portfolios, and who have been informed of and agree to comply with the Bidder's obligations hereunder.
3. Information shall not be deemed Confidential Information for purposes of this Agreement, and the Bidder shall have no obligation with respect to any such information, which: (a) is already known to the Bidder at the time of its disclosure; (b) is or becomes publicly known through no wrongful act of the Bidder; (c) is independently developed by the Bidder; or (d) the Bidder is advised by counsel is lawfully required to be disclosed to any government agency or is otherwise required to be disclosed by law. Notwithstanding the foregoing, Confidential Information disclosed pursuant to this Agreement shall remain confidential and subject to this agreement, notwithstanding that such information later becomes publicly known through any other lawful means.

4. All Confidential Information disclosed by the Receiver to the Bidder pursuant to this Agreement in tangible form (including, without limitation, information incorporated in computer software) shall be and remain property of the Receiver, and all such Confidential Information shall be promptly returned by the Bidder upon receipt of a written request from the Receiver.

5. The Bidder acknowledges that nothing herein shall render the Receiver responsible for the accuracy of the Confidential Information.

6. This Agreement shall be governed by the laws of the State of Florida.

7. The parties agree that any dispute with regard to this agreement will be subject to the jurisdiction of the United States District Court, Southern District of Florida.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

\_\_\_\_\_  
David Rosendorf, Esq.  
Attorney for Roberto Martinez, Receiver for  
Mutual Benefits Corp. et al.  
2525 Ponce De Leon, 9<sup>th</sup> Floor  
Coral Gables, Florida 33134  
Tel: (305) 372-1800

\_\_\_\_\_  
Name of Bidder

\_\_\_\_\_  
Address/Phone

**MBC - BIDDER AFFIDAVIT OF NON-AFFILIATION**

STATE OF \_\_\_\_\_ )  
 ) ss:  
COUNTY OF \_\_\_\_\_ )

Before me, the undersigned authority, personally appeared \_\_\_\_\_ ("Affiant"), who after being duly sworn, deposes and states:

1. Affiant, as authorized representative of \_\_\_\_\_ (insert company name) ("Potential Bidder"), desires to participate in the bidding for the auction of the Mutual Benefits Corporation Viatical Portfolio to be conducted by Roberto Martinez, Receiver for Mutual Benefits Corporation, Viatical Benefactors, LLC and Viatical Services, Inc., et al.

2. Affiant represents that neither he nor Potential Bidder, nor any person acting in concert with Potential Bidder or on Potential Bidder's behalf, including shareholders, directors, officers, managers, employees, agents, partners, or associates, is related to by blood or marriage or is in any manner affiliated in any respect with MUTUAL BENEFITS CORP., JOEL STEINGER a/k/a JOEL STEINER, LESLIE STEINGER a/k/a LESLIE STEINER, and PETER LOMBARDI, Defendants, VIATICAL BENEFACTORS, LLC, VIATICAL SERVICES, INC., KENSINGTON MANAGEMENT, INC., RAINY CONSULTING CORP., TWIN GROVES INVESTMENTS, INC., P.J.L. CONSULTING, INC., SKS CONSULTING, INC., and CAMDEN CONSULTING, INC., Relief Defendants (the "Receivership Entities"), and have never been officers, agents, employees, successors, nor any other persons in active or inactive concert or participation with any of the Receivership Entities.

3. Affiant further represents that other than Roberto Martinez, as Receiver, no person or entity in any manner affiliated with the Receivership Entities shall receive any money or other consideration in connection with this auction of the MBC Viatical Portfolio.

4. Affiant further represents that none of the Receivership Entities, nor any person acting in concert with, or on behalf of them, is acquiring any interest in the Mutual Benefits Corporation Viatical Portfolio.

FURTHER AFFIANT SAYETH NAUGHT.

Signature: \_\_\_\_\_  
Print Name & Title: \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2007, by \_\_\_\_\_ who is personally known to me/who has produced \_\_\_\_\_ as identification and who did/did not take an oath.

\_\_\_\_\_  
Notary Public, State of \_\_\_\_\_  
Print Name: \_\_\_\_\_



## **EXHIBIT B**

**BID COVER SHEET TO OFFER LETTER**

**Roberto Martinez, As the Court-Appointed Receiver (the "Receiver")  
for Mutual Benefits Corp., Viatical Services, Inc. and  
Viatical Benefactors, LLC (the "Receivership Entities")**

This Bid Cover Sheet is made this 15<sup>th</sup> day of June, 2007 (the "Bid Date") and is attached to and made a part of the offer letter (the "Offer") from Credit Suisse Securities (Europe) Limited ("Credit Suisse"), to the Receiver for the purchase of those certain Universal Life and Term plans of insurance identified as "Portfolio #3" in the solicitation of bid letter dated May 21, 2007, from David L. Rosendorf, counsel to the Receiver (the "Solicitation Letter"), in connection with the receivership proceedings under Case No. 04-60573-GJV-MORENO-SIMONTON (the "Receivership Proceedings") pending in the United States District Court for the Southern District of Florida (the "Court").

**Initial Bid/Deposit.** Credit Suisse has delivered to the Receiver the sum of \$100,000 as its initial bid/deposit (the "Initial Bid") for the assets in Portfolio #3. The Initial Bid was sent by wire transfer pursuant to the following wire instructions supplied by the Receiver's counsel:

Total Bank  
Miami, Florida  
Account Name: Kozyak, Troppin & Throckmorton, P.A. MBC Trust  
Account #2  
Account No. 0716476406  
ABA No. 066009155  
Swift Ref. TLBKUS3M

As provided in the Bidding Procedures (which were annexed to the proposed Asset Purchase Agreement and Solicitation Letter), if Credit Suisse is not the Successful Bidder or Backup Bidder, the Initial Deposit shall be returned to Credit Suisse within two (2) business days after the conclusion of the Auction.

**Terms.** Credit Suisse's offer to purchase the assets in Portfolio #3 is: (a) all cash and does not contain any form of contingent consideration or consideration that is dependent on the maturity of the Policies; (b) in the form of the proposed Asset Purchase Agreement annexed hereto as Tab 1, plus any additional terms that the parties may mutually agree; and (c) not subject to a financing or due diligence contingency.

**Irrevocability.** Credit Suisse's offer to purchase the assets in Portfolio #3 is irrevocable until 48 hours after closing of the sale to the Successful Bidder.

**Evidence of Financial Ability.** On or about May 29, 2007, pursuant to the terms of the Bidding Procedures, Credit Suisse delivered to the Receiver, among other things, financial statements for Credit Suisse Securities (Europe) Limited, in connection with Credit Suisse's request to conduct due diligence. Evidence of Credit Suisse's financial ability to consummate the transaction is found in the financial statements previously submitted to the Receiver. For convenience, an additional copy of such financial statements is annexed hereto at Tab 2.

Contact Information:

Credit Suisse:

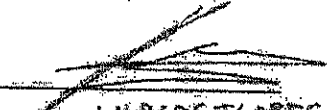
Credit Suisse Securities (Europe) Limited  
c/o Credit Suisse Securities (USA), LLC  
Attention: Mr. Matthew Vandenack  
Eleven Madison Avenue, 5<sup>th</sup> Floor  
New York, NY 10010  
Telephone: (212) 325-2618  
Facsimile: (212) 322-2852  
Email: [matthew.vandenack@credit-suisse.com](mailto:matthew.vandenack@credit-suisse.com)

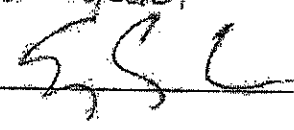
With a copy to:

Sidley Austin LLP  
Attention: Geoffrey T. Raicht, Esq.  
787 Seventh Avenue  
New York, NY 10019  
Telephone: (212) 839-5448  
Facsimile: (212) 839-5599  
Email: [grnicht@sidley.com](mailto:grnicht@sidley.com)

Submitted on the date first written above.

Credit Suisse Securities (Europe) Limited

By:   
Name: MARCOS FLORES  
Title: M.D.  
Date Signed: 15/06/07

By:   
Name: ERAJ SHIRVANI  
Title: Managing Director  
Date Signed: 15/06/07

**CREDIT SUISSE**

CREDIT SUISSE SECURITIES (EUROPE) LIMITED  
One Cabot Square Phone +44 (0) 20 7886 3191  
London E14 4QJ Fax +44 (0) 20 7886 2579  
www.credit-suisse.com

June 15, 2007

By: Electronic Mail

David L. Rosendorf, Esq.  
Counsel to Roberto Martinez,  
Court-Appointed Receiver  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce De Leon, 9th Floor  
Coral Gables, FL 33134  
Tel: (305) 372-1800  
Fax: (305) 372-3508  
Email: [drosendorf@kttlaw.com](mailto:drosendorf@kttlaw.com)

Steven Fernstrom  
VSI/MBG  
43 South Pompano Parkway, #112  
Pompano Beach, FL 33069  
Tel: (954) 582-0220 x244  
Fax: (954) 582-0223  
Email: [s.fernstrom@vsi-services.com](mailto:s.fernstrom@vsi-services.com)

Re: **Mutual Benefits Corp., Viatical Services, Inc. and Viatical Benefactors, LLC,  
in Receivership Proceedings Under Case No. 04-60573-CIV-MORENO-  
SIMONTON (S.D. Fla.):  
Offer Letter**

Dear Mr. Rosendorf:

Credit Suisse Securities (Europe) Limited ("Credit Suisse"), is pleased to provide to you, in your capacity as counsel to Roberto Martinez, the court-appointed receiver (the "Receiver") for Mutual Benefits Corp., Viatical Services, Inc., and Viatical Benefactors, LLC (the "Receivership Entities"), the following offer (the "Offer") to acquire those certain Universal Life and Term plans of insurance identified as "Portfolio #3" in your solicitation of bid letter dated May 21, 2007 (the "Solicitation Letter"). Credit Suisse has unparalleled expertise, resources and financial capacity to complete this transaction in a timely fashion. Moreover, given our outstanding world-wide reputation, we believe that a sale of Portfolio #3 to Credit Suisse will be in the best interests of the Receivership Entities and their creditors. This letter sets out the basis of our Offer in accordance with the Bidding Procedures, which were attached as Exhibit A to the proposed Asset Purchase Agreement and Solicitation Letter. The Offer shall be irrevocable until 48 hours after closing of the Sale to the Successful Bidder and the Offer shall terminate upon the expiration of such period.<sup>1</sup>

Price. Credit Suisse is prepared to purchase Portfolio #3 for an initial bid of \$100,000 and, if necessary, any additional amount offered by Credit Suisse's representative at the June 22, 2007 Auction (the "Purchase Price"). The Purchase Price assumes that the assets that comprise Portfolio #3 will be conveyed free and clear of any Encumbrances.

<sup>1</sup> Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Bidding Procedures or proposed Asset Purchase Agreement, as applicable.

2. Source of Purchase Price. Credit Suisse will fund the Purchase Price in all cash, less the Initial Deposit (defined below), and the Purchase Price will not contain any form of contingent consideration or consideration that is dependent on the maturity of the Policies. This Offer is not subject to a financing or due diligence contingency.
  3. Initial Deposit. As required by the Bidding Procedures, Credit Suisse has delivered to the Receiver an Initial Deposit of \$100,000 (the "Initial Deposit") by wire transfer. To the extent Credit Suisse is the Successful Bidder for Portfolio #3, the Initial Deposit will be applied to the Purchase Price as provided in the Bidding Procedures. As provided in the Bidding Procedures, if Credit Suisse is not the Successful Bidder or Backup Bidder, the Initial Deposit shall be returned to Credit Suisse within two (2) business days after the conclusion of the Auction.
  4. Financial Wherewithal. On or about May 29, 2007, pursuant to the terms of the Bidding Procedures, Credit Suisse delivered to the Receiver, among other things, financial statements for Credit Suisse Securities (Europe) Limited, in connection with Credit Suisse's request to conduct due diligence. Evidence of Credit Suisse's financial ability to consummate the transaction is found in the financial statements previously submitted to the Receiver. Credit Suisse believes it has more than adequately demonstrated its financial wherewithal to fund the Purchase Price as required by the Bid Procedures.
  5. Documentation. Credit Suisse agrees to purchase the assets in Portfolio #3 pursuant to an asset purchase agreement in the form of the proposed Asset Purchase Agreement annexed hereto as Tab 1, plus any additional terms that the parties may mutually agree. Immediately upon court approval of the Offer, Credit Suisse will work expeditiously to complete the final documentation necessary to consummate the sale of Portfolio #3, which documentation shall be reasonably satisfactory to Credit Suisse, and close such transaction within three (3) business days after the Court enters the Sale Order.
  6. Representations and Warranties. The representations and warranties for the sale and purchase of Portfolio #3 shall be those identified in Articles IV and V of the proposed Asset Purchase Agreement.
  7. Conditions. The conditions to closing shall be those identified in Article VII of the proposed Asset Purchase Agreement.
  8. Sale Order. The order approving the sale of Portfolio #3 to Credit Suisse shall include those certain terms identified in Exhibit B of the proposed Asset Purchase Agreement and those findings of fact or other terms that are mutually agreeable to the parties or ordered by the Court.
  9. Process. Credit Suisse is very excited about the opportunity to purchase Portfolio #3. Therefore, Credit Suisse is prepared to be flexible in structuring the Offer in a manner which is the most beneficial to the Receiver and the receivership estate.
- Credit Suisse believes that this Offer satisfies each of the requirements of the Bidding Procedures. If the Receiver or Receiver's counsel determines that this Offer does not satisfy the requirements of the Bidding Procedures, Credit Suisse requests that the Receiver or Receiver's

counsel immediately contact Credit Suisse and provide notice of any such deficiencies to allow Credit Suisse the opportunity to cure.

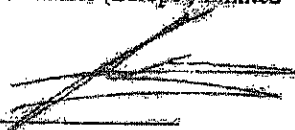
Credit Suisse looks forward to working with the Receiver on this transaction. Please do not hesitate to contact any of our representatives listed below with any questions regarding this Offer or otherwise:

Credit Suisse Securities (Europe) Limited  
c/o Credit Suisse Securities (USA), LLC  
Mr. Matthew Vandenack  
Eleven Madison Avenue, 5<sup>th</sup> Floor  
New York, NY 10010  
Telephone: (212) 325-2618  
Facsimile: (212) 322-2852  
Email: [matthew.vandenack@credit-suisse.com](mailto:matthew.vandenack@credit-suisse.com)

Sidley Austin LLP  
Geoffrey T. Raicht, Esq.  
787 Seventh Avenue  
New York, NY 10019  
Telephone: (212) 839-5448  
Facsimile: (212) 839-5599  
Email: [graicht@sidley.com](mailto:graicht@sidley.com)

Very truly yours,

Credit Suisse Securities (Europe) Limited

By   
Name: MARCOS FLORES  
Title: MD

By   
Name:  
Title:

ERALI SHIRVANI  
Managing Director

**TAB 1**

**ASSET PURCHASE AGREEMENT**

by and between

ROBERTO MARTÍNEZ,  
As the Receiver for Mutual Benefits Corp., Viatical Services, Inc.,  
And Viatical Benefactors, LLC,

As Seller

And

CREDIT SUISSE SECURITIES (EUROPE) Limited

As Buyer

\_\_\_\_\_, 2007



### ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT dated as of \_\_\_\_\_, 2007 is entered into by and between Roberto Martinez, as the Receiver for Mutual Benefits Corp., a Florida corporation ("MBC"), Viatical Services, Inc., a Florida corporation ("VSI"), and Viatical Benefactors, LLC, a Delaware limited liability company ("VBLLC"), and together with MBC and VSI, the "Receivership Entities" (in such capacity, "Seller"), and CREDIT SUISSE SECURITIES (EUROPE) LIMITED ("Buyer"). Seller, together with Buyer, may be referred to collectively as the "Parties".

### RECITALS

WHEREAS, Seller is the Receiver for the Receivership Entities under Case No. 04-60573-CIV-MORENO-SIMONTON (the "Receivership Proceeding") in the United States District Court for the Southern District of Florida (the "Court"); and

WHEREAS, Seller was appointed as Receiver for the Receivership Entities pursuant to the Order Appointing Receiver entered by the Court on May 4, 2004 (the "Receivership Order"); and

WHEREAS, pursuant to the Receivership Order, Seller was authorized to take possession of all of the assets of the Receivership Entities, including the "Acquired Assets" (as defined below), and was vested with all power and authority to, among other things, administer and manage the assets and business affairs of the Receivership Entities; and

WHEREAS, pursuant to the Order on Disposition of Policies and Proceeds entered by the Court on September 14, 2005 ("Disposition Order"), Seller has been vested with full power and authority to sell the Acquired Assets; and

WHEREAS, pursuant to the Order Granting Receiver's Motion to Authorize Procedures for Re-Designation of Beneficial Interests in Insurance Policies entered by the Court on January 30, 2007 ("Re-Designation Order"), Seller has been designated as the Policy Owner or Absolute Assignee and Nominal Beneficiary with respect to all Policies administered through the Receivership Proceeding, including the Acquired Assets; and

WHEREAS, pursuant to the Order Regarding Future Administration of Certain Insurance Policies Subject to this Proceeding entered by the Court on May 1, 2007 ("Future Administration Order"), the Court has approved certain procedures applicable to specified Listed Insurers for, among other things, the re-designation of ownership and beneficial interests in certain Policies issues by the Listed Insurers upon the sale of such Policies by Seller; and

WHEREAS, Seller desires to, on behalf of Seller and each Receivership Entity, sell and assign to Buyer, and Buyer desires to purchase from Seller and each Receivership Entity and accept assignment from Seller and each Receivership Entity of the Acquired Assets, all upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and in consideration of the representations, warranties and covenants contained herein, the Parties, intending to be legally bound thereby, agree as follows:

## **ARTICLE I DEFINITIONS**

"Acquired Assets" has the meaning set forth in Section 2.1 of this Agreement.

"Agreement" means this Asset Purchase Agreement (together with all schedules and exhibits attached hereto, which are deemed a part hereof), as may be amended, modified, supplemented and/or restated from time to time in accordance with its terms.

"Assumed Liabilities" has the meaning set forth in Section 2.3 of this Agreement.

"Auction" means the auction of the Policies conducted by Seller in accordance with the Bidding Procedures.

"Backup Bid" has the meaning set forth in the Bidding Procedures.

"Backup Bidder" has the meaning set forth in the Bidding Procedures.

"Bid" has the meaning set forth in the Bidding Procedures.

"Bidding Procedures" means the procedures to be followed by Seller for soliciting the highest and best offer for the Acquired Assets, and to conduct an auction sale of the Acquired Assets, as set forth in Exhibit A hereto.

"Business Day" means any day other than a Saturday, Sunday, or any other day designated as a holiday by the Court.

"Buyer" has the meaning set forth in the preface above.

"Closing" has the meaning set forth in Section 3.1 of this Agreement.

"Closing Date" has the meaning set forth in Section 3.1 of this Agreement.

"Confidentiality Agreement" has the meaning set forth in the Bidding Procedures.

"Court" has the meaning set forth in the preface above.

"Disposition Order" has the meaning set forth in the preface above.

"Encumbrance" means any lien (statutory or otherwise), claim, Liability, interest, beneficial interest, right, pledge, option, charge, hypothecation, security interest, right of first

refusal, mortgage, deed of trust or other encumbrance of any kind or any right or interest of any party.

"Excluded Assets" has the meaning set forth in Section 2.2 of this Agreement.

"Final Purchase Price" has the meaning set forth in Section 2.5 of this Agreement.

"Future Administration Order" has the meaning set forth in the preface above.

"Highest Bid" has the meaning set forth in the Bidding Procedures.

"Highest Bidder" has the meaning set forth in the Bidding Procedures.

"Initial Bid" has the meaning set forth in Section 2.4 of this Agreement.

"Initial Deposit" has the meaning set forth in Section 2.4 of this Agreement.

"Liabilities" means any and all debts, indebtedness, losses, claims, damages, costs, expenses, demands, fines, judgments, penalties, liabilities, commitments, sales commissions, contracts, responsibilities and obligations of any kind or nature whatsoever, direct or indirect, absolute or contingent, known or unknown, fixed or unfixed, due or to become due.

"MBC" has the meaning set forth in the preface above.

"Parties" has the meaning set forth in the preface above.

"Person" means any individual, partnership, joint venture, association, corporation, business trust, limited liability company, trust, proprietorship, unincorporated association, instrumentality, business organization, enterprise, joint stock company, estate, governmental authority or other entity.

"Policies" has the meaning set forth in Section 2.1(a) of this Agreement.

"Potential Bidder" has the meaning set forth in the Bidding Procedures.

"Prorated Premium Amount" shall mean the amount of all prepaid premiums, expenses and charges with respect to any Policy which were paid by Seller on Policies for coverage periods after the Closing Date.

"Provider" means an insurance company or, in the case of a group Policy, an employer or third party administrator, which provides insurance coverage with respect to a Policy.

"Purchase Price" has the meaning set forth in Section 2.4 of this Agreement.

"Purchase Price Adjustments" has the meaning set forth in Section 2.5 of this Agreement.

"Qualified Bidders" has the meaning set forth in the Bidding Procedures.

"Receivership Entities" has the meaning set forth in the preface above.

"Receivership Order" has the meaning set forth in the preface above.

"Receivership Proceeding" has the meaning set forth in the preface above.

"Re-Designation Order" has the meaning set forth in the preface above.

"Sale Order" means an order of the Court approving and authorizing Seller to sell and assign the Acquired Assets to Buyer in accordance with the terms of this Agreement.

"Second Deposit" has the meaning set forth in Section 2.4 of this Agreement.

"Seller" has the meaning set forth in the preface above.

"Successful Bidder" has the meaning set forth in the Bidding Procedures.

"Taxes" means any federal, state, local or foreign net or gross income, minimum, alternative minimum, sales, value added, use, excise, franchise, real or personal property, transfer, conveyance, environmental, gross receipts, capital stock, production, business and occupation, disability, employment, payroll, severance, withholding or other tax, assessment, duty, fee, levy or charge of any nature whatsoever, whether disputed or not, imposed by any governmental authority, and any interest, penalties (civil or criminal), additions to tax or additional amounts related thereto or to the nonpayment thereof, including any obligations under any agreement or other arrangement with respect to any of the foregoing.

"Transaction Documents" means collectively this Agreement, Bill of Sale, Assignment and Assumption Agreement, and any other document executed by Seller or Buyer at the Closing in connection with any of the foregoing.

"VBLLC" has the meaning set forth in the preface above.

"YSI" has the meaning set forth in the preface above.

## **ARTICLE II PURCHASE & SALE OF ASSETS**

2.1 Purchase and Sale. On the terms and conditions set forth herein, Buyer agrees to purchase from Seller, and Seller agrees to sell, transfer, assign, convey, and deliver to Buyer, all of the Acquired Assets at the Closing for the consideration specified in this Section 2.1 of this Agreement, such sale being pursuant to a Sale Order entered by the Court which shall authorize the transfer the Acquired Assets to Buyer free and clear of any Encumbrances, containing in substance the terms reflected in the attached Exhibit B. For purposes of this Agreement,

"Acquired Assets" means all right, title and interest in and to the following items as in existence on the Closing Date:

(a) the title (whether by ownership interests of individual policies or as group certificate assignee) together with the beneficial interests of the life insurance policies as more fully described in Schedule 2.1 attached hereto (the "Policies");

(b) all files, records, documents, instruments, papers, correspondence, communications, books and records evidencing or relating to the Policies, whether in physical, electronic or other form or medium, including without limitation (i) the Policies and all correspondence relating thereto; (ii) all information and records with respect to the health status and whereabouts of each insured under a Policy; (iii) all accounting records, including the accounting and bookkeeping records incident to the ownership, premium payments, and receipts and distributions of proceeds with respect to each Policy made to or received from the Provider that issues the Policies, (iv) all documents and instruments executed and/or delivered by or to Seller, a Receivership Entity, an insured, or viator in respect of Policy (collectively, the "Policy Files"); provided that, Policy Files shall not include any confidential information relating to any third party investor (i.e., a person that is not Seller, a Receivership Entity or any affiliate of a Receivership Entity) owning an interest in the Policies, nor shall Policy Files include the database utilized by VSI to service the Policies.

(c) all death benefits, proceeds and other amounts paid or payable under or otherwise in respect of any Policy on or after the Closing Date, with respect to the actual death of the insured;

(d) all rights of recourse or recovery against any third party, and all other claims, rights and causes of action, relating to or arising out of any of the foregoing.

**2.2 Excluded Assets.** Notwithstanding anything to the contrary in this Agreement, Seller shall not sell, transfer, assign, convey or deliver to Buyer, and Buyer shall not purchase or accept from Seller, any of the following:

(a) any asset or property of Seller or any Receivership Entity that is not specifically set forth in Section 2.1 hereof;

(b) any Policy identified in Schedule 2.1 with respect to which Seller has provided Buyer, prior to the Closing Date, documentation evidencing the death of the insured under such Policy, including any death benefits, proceeds or amounts paid or payable under or otherwise with respect to such Policy (as to which the Purchase Price shall be adjusted in accordance with Section 2.5 hereof).

**2.3 Assumption of Liabilities.** At the Closing, Buyer shall assume from the Receivership Entities, and thereafter pay, perform and discharge in accordance with their respective terms, all obligations that arise under the Policies from and after the Closing Date, including without limitation, all obligations to pay premiums thereunder which become due on and after the Closing Date, and including without limitation reimbursement of premiums to an

insured person under a Policy if the Policy is a group plan of insurance and premiums are paid by the insured via payroll deductions (the "Assumed Liabilities").

2.4 Purchase Price. Buyer agrees to purchase the Acquired Assets for an initial bid of \$ 100,000.00 (the "Initial Bid"), subject to higher and better offers in accordance with the Bidding Procedures. Buyer shall remit to Seller an initial deposit of One Hundred Thousand Dollars (\$100,000.00) upon delivery of this Agreement (the "Initial Deposit"). Within one (1) Business Day after the conclusion of the Auction, if Buyer's final Bid at Auction is identified as the Highest Bid or Backup Bid, Buyer shall remit to Seller a second deposit equal to 10% of its final Bid at Auction, less \$100,000.00 (the "Second Deposit") in immediately available funds, such that the Initial Deposit together with the Second Deposit shall equal 10% of its final Bid at Auction. The Initial Deposit and Second Deposit shall be remitted by Buyer to Seller in the form of a bank Cashier's Check made payable to "Roberto Martinez, as Receiver" or by wire transfer to the Kozyak Tropin & Throckmorton, P.A. MBC Trust Account, TotalBank, Miami, Florida, Account No. 0716434306, ABA No. 0716434306. If Buyer is deemed to be the Successful Bidder, the Purchase Price shall be adjusted to an amount equal to Buyer's final Bid at the Auction, if higher than the Initial Bid (the "Purchase Price"), subject to the Purchase Price Adjustments. In the event that Buyer is deemed to be the Successful Bidder, the Initial Deposit and Second Deposit shall be applied to the Final Purchase Price at Closing. The Initial Deposit and Second Deposit shall be non-refundable if the Buyer is determined by the Court to be the Successful Bidder and subsequently fails to timely close on the sale of the Acquired Assets pursuant to the terms of this Agreement.

2.5 Purchase Price Adjustments. At the Closing Date, the following adjustments shall be made to the Purchase Price, which after such adjustments shall be the "Final Purchase Price":

(a) in the event any Policy listed in Schedule 2.1 shall become an Excluded Asset pursuant to Section 2.2 hereof prior to the Closing Date, the Purchase Price shall be reduced pro rata based upon the ratio of the Purchase Price to the aggregate face value of the Policies prior to the exclusion of such Policy from the Acquired Assets; i.e., if (i) a Policy with a face value of \$1,000,000 becomes an Excluded Asset, (ii) the Purchase Price is \$10,000,000 and (iii) the aggregate face value of the Policies, prior to the Policy becoming an Excluded Asset, was \$50,000,000, then the Purchase Price shall be reduced by  $\$1,000,000 \times (\$10,000,000 / \$50,000,000) = \$200,000$ .

(b) at the Closing Date, the Purchase Price shall be increased to include an amount equal to Prorated Premium Amount.

### ARTICLE III CLOSING

3.1 Closing. Unless this Agreement shall have been terminated pursuant to Section 8 hereof, the closing of the transactions contemplated hereby shall take place on or before the third (3<sup>rd</sup>) Business Day after the Court has entered the Sale Order (the "Closing Date"), unless extended by mutual written agreement of the Parties. The Closing shall be held at the offices of

Kozyak, Tropin & Throckmorton, P.A., 2525 Ponce de Leon Boulevard, Miami, Florida 33134, unless the Parties agree otherwise.

3.2 Deliveries by Seller. At the Closing, Seller shall deliver to Buyer: (i) the Bill of Sale and Assignment and Assumption Agreement with respect to the Acquired Assets, executed by Seller; and (ii) a copy of the Sale Order approving the sale of the Acquired Assets to Buyer pursuant to the terms of this Agreement.

3.3 Deliveries by Buyer. At the Closing, Buyer shall deliver to Seller: (i) the Bill of Sale and Assignment and Assumption Agreement with respect to the Acquired Assets, executed by Buyer; and (ii) the full amount of the Final Purchase Price, less the Initial Deposit and Second Deposit, in immediately available funds.

#### ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as of the date hereof and as of the Closing Date as follows:

4.1 Status as Receiver. Seller is the duly appointing and acting Receiver for the Receivership Entities.

4.2 Authority, Power and Binding Effect. Subject to the entry of the Sale Order, Seller has all requisite power and authority, pursuant to the Receivership Order, the Disposition Order, and the Re-Designation Order, to execute and deliver this Agreement and to perform its obligations under this Agreement and the Transaction Documents, including without limitation, the power and authority to sell the Acquired Assets free and clear of all Encumbrances. Seller has duly executed and delivered this Agreement and each other Transaction Document to which Seller is a party, and when delivered by Seller in accordance with this Agreement, each other Transaction Document to which Seller will be a party will be duly executed and delivered by Seller. Upon entry of the Sale Order, this Agreement and each other Transaction Document when duly executed and delivered shall constitute a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with their terms.

4.3 Title to Acquired Assets. Seller has good and valid title to the Acquired Assets and has all claims, options, privileges, right, title and interest in, to and under the Acquired Assets free and clear of any Encumbrances. Subject to the entry of the Sale Order, all of Seller's and each Receivership Entity's claims, options, privileges, right, title and interest in to, and under the Acquired Assets, including all beneficial interests in the Policies, will be sold, conveyed, assigned, transferred and delivered to Buyer at Closing, free and clear of all Encumbrances.

4.4. As Is, Where Is. The sale of the Acquired Assets shall be made "as is, where is" without any recourse whatsoever against the Seller, the Receivership Entities, or any of their professionals, employees or agents. Neither the Seller, the Receivership Entities, or any of their professionals, employees or agents shall be construed as having made any representations or

warranties as to title, merchantability or fitness for a particular purpose, express, implied, or otherwise, unless specifically set forth in this Agreement.

4.5 Brokers and Finders. Seller has not engaged any broker, finder or financial advisor, or incurred any liability for any fees or commissions to any broker, finder or financial advisor, in connection with this Agreement or the transactions contemplated hereby for which Buyer could be liable.

## **ARTICLE V REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer hereby represents and warrants to Seller as of the date hereof and as of the Closing Date as follows:

5.1 Existence and Standing. In the event Buyer is a corporation, partnership or limited liability company, it is duly organized, validly existing and in good standing under the laws of the state of its organization with all the requisite power and authority to carry on its business as presently conducted by it.

5.2 Authority, Power and Binding Effect. Buyer has all requisite power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement and the Transaction Documents. Buyer has duly executed and delivered this Agreement and each other Transaction Document to which Buyer is a party, and when delivered by Buyer in accordance with this Agreement, each other Transaction Document to which Buyer will be a party will be duly executed and delivered by Buyer. This Agreement and each other Transaction Document when duly executed and delivered shall constitute a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with their terms.

5.3 No Violation; Consents. The execution, delivery and performance by Buyer of this Agreement and each other Transaction Document to which Buyer is or will be a party and the consummation by Buyer of all of the transactions contemplated hereby and thereby, including without limitation the purchase and acceptance of the Acquired Assets and the assumption of the Assumed Liabilities by Buyer (a) do not and will not violate any provision of the organizational documents of Buyer; (b) do not and will not result in violation of any of the terms, conditions or provisions of any agreement or instrument to which Buyer is a party or by which Buyer or any of its assets or properties is bound; (c) do not and will not result in a violation of any applicable law, ordinance, regulation, permit, authorization or decree or any order of any court or other governmental agency applicable to Buyer or any of its assets or properties; (d) do not and will not require any consent, waiver, approval, license, order, designation or authorization of, notice to, or registration, filing, qualification or declaration with any governmental authority or other Person to which Buyer or any affiliate thereof, or any asset or property of Buyer, is bound.

5.4 Disclaimer.



(a) Buyer acknowledges that in making the decision to enter into this Agreement and to consummate the transactions contemplated thereby, Buyer has relied solely on the basis of its own independent investigation of the Acquired Assets and upon the express written representations, warranties and covenants in this Agreement. Buyer has carefully considered and has, to the extent Buyer believes such discussion necessary, has discussed with Buyer's professional, legal, tax and financial advisors, the suitability of an investment in the Acquired Assets for Buyer's particular tax and financial situation and Buyer has determined that an investment in the Acquired Assets is suitable for Buyer.

(b) Buyer has been presented with the opportunity to ask questions of and receive satisfactory answers from Seller relating to the terms and conditions of the purchase and sale of the Acquired Assets and to obtain any additional information necessary to verify the accuracy of information made available to Buyer, and to the extent Buyer has availed itself of such opportunity, Buyer has received satisfactory answers to all such questions.

(c) Buyer assumes the risk that after Closing, a Provider will refuse to change ownership or beneficial interests in a Policy or refuse to pay to Buyer or its designee the death benefits or other amounts payable or otherwise due in respect of a Policy, notwithstanding the entry of the Receivership Order, the Disposition Order, and the Re-Designation Order, and the Sale Order.

(d) The sale of the Acquired Assets shall be subject to higher and better offers pursuant to the Bidding Procedures.

5.5 Financial Ability. Buyer has access to sufficient unrestricted funds, and will at the time of the Closing have sufficient unrestricted funds, to consummate the transactions contemplated by this Agreement.

5.6 Brokers and Finders. Buyer has not engaged any broker, finder or financial advisor, or incurred any liability for any fees or commissions to any broker, finder or financial advisor, in connection with this Agreement or the transactions contemplated hereby for which Seller could be liable.

5.7 No Collusion. Buyer has not entered into any agreements, oral or written, with any other Potential Bidder concerning the purchase and sale of the Acquired Assets at the Auction and has disclosed to Seller all parties to any joint venture, partnership or joint bid.

## ARTICLE VI COVENANTS OF THE PARTIES

6.1 General. Seller and Buyer shall use their commercially reasonable efforts to cooperate, assist and consult with each other to consummate the transactions contemplated by this Agreement as promptly as practicable.

6.2 Access to Policy Files.

(a) Prior to the Closing, Seller shall allow Buyer, during regular business hours, to make reasonable investigation and inquiry related to the Purchased Assets, including by providing access to the Policy Files and furnishing information as promptly as practicable to Buyer that is reasonably requested by Buyer.

(b) Buyer acknowledges that the Policy Files contain information of a highly personal nature. Buyer agrees that it shall be bound by and shall comply with the terms of the Confidentiality Agreement, and that both before and after the Closing Date, it shall comply in all material respects with all privacy, confidentiality and other similar laws and regulations governing the use and disclosure of the Policy Files and all other information relating to the Policies or any insured thereunder.

### 6.3 Policy Notices.

(a) Not later than twenty (20) days after the Closing Date, Buyer shall deliver, with respect to each Policy, written instructions to each Provider designating Buyer as the owner of the Policy or assignee of any Policy that is a group Policy, and providing each such insurance company with its mailing address for purposes of receiving all future notices of premium payments due and other written communications from the insurance company respecting the Policy.

(b) Buyer shall be responsible for delivering to the Providers that issued the Policies any instructions to change ownership and beneficiaries of such Policies. With respect to any Providers which are designated as Listed Insurers in the Future Administration Order, such instructions shall be provided by Buyer consistent with the terms of the Future Administration Order.

(c) Without limiting or modifying anything else in this Section 6.3, Seller shall reasonably cooperate and assist as requested by Buyer in obtaining Providers' compliance with instructions to Providers given by Buyer in accordance with and pursuant to this Section 6.3.

### 6.4 Post-Closing Policy Proceeds and Communications.

(a) Any proceeds or other amounts in respect of any Acquired Assets, including without limitation any death benefits, received by Seller or any Receivership Entity after the Closing Date shall be held by Seller in constructive trust for the benefit of Buyer, and Seller shall promptly notify Buyer in writing of the receipt of any such amount. All such amounts so received by Seller or any Receivership Entity shall be remitted to Buyer within three (3) Business Days of Seller's or any Receivership Entity's receipt thereof.

(b) Seller shall promptly forward to Buyer any written correspondence, notice or other communication relating to the Acquired Assets that is received by Seller or any Receivership Entity on or after the Closing Date.

(c) To the extent any party other than Buyer or Seller receives any proceeds or other amounts in respect of any Policy which is an Acquired Asset, Seller shall, upon request of Buyer, reasonable cooperate with Buyer's efforts to recover such proceeds.

**6.5 Transaction Costs; Taxes.**

(a) Except as otherwise expressly provided for herein, Seller and Buyer will bear their own costs and expenses (including any legal, accounting and other professional fees and expenses) that are incurred in connection with the negotiation, execution and performance of this Agreement and the consummation of the transactions contemplated thereby.

(b) Notwithstanding anything to the contrary herein, all Taxes and other fees and charges incurred in connection with the consummation of the transactions contemplated hereby, including the transfer to Buyer of the Acquired Assets, shall be paid by Buyer. Seller and Buyer shall each be responsible for preparing and filing each tax return required by law to be filed by it, and Seller and Buyer shall cooperate with each other in the preparation, execution and filing of all tax returns regarding any taxes which become payable as a result of the transactions contemplated hereby.

(c) Subject to Section 6.5(b) hereof, Seller shall be responsible for and pay or cause to be paid when due all Taxes applicable to the Acquired Assets attributable to any Tax period (or portion thereof) ending prior to the Closing Date, and Buyer shall be responsible for and pay or cause to be paid when due all Taxes applicable to the Acquired Assets attributable to any Tax period (or portion thereof) on or after the Closing Date. For purposes of this section, any period beginning before and ending after the Closing Date shall be treated as two separate Tax periods, one ending on the day before the Closing Date and the other beginning on the Closing Date, except that Taxes imposed on a periodic basis (such as property Taxes) shall be allocated on a daily basis.

**ARTICLE VII  
CONDITIONS PRECEDENT**

**7.1 Conditions Precedent to Obligations of Buyer.** The obligation of Buyer to purchase and accept the Acquired Assets and to assume the Assumed Liabilities from Seller pursuant to this Agreement is subject to the satisfaction (or waiver by Buyer) at or prior to Closing of each of the following conditions:

(a) Seller shall have in all material respects performed and complied with each of the covenants, obligations and agreements contained in this Agreement required to be performed or complied with by Seller prior to or at the Closing;

(b) Seller shall have delivered to Buyer all of the items specified to be delivered by Seller in Section 3.2 hereof;

(c) No preliminary or permanent injunction or other order issued by any court or governmental authority nor any law promulgated or enacted by any governmental authority

shall be in effect which restrains, enjoins or otherwise prohibits the transactions contemplated hereby;

(d) The Court shall have entered the Sale Order approving Buyer as the Successful Bidder and such Sale Order shall not have been reversed, stayed, modified or amended in any manner materially adverse to Buyer.

7.2 Conditions Precedent to Obligations of Seller. The obligation of Seller to sell and assign the Acquired Assets to Buyer pursuant to this Agreement is subject to the satisfaction (or waiver by Seller) at or prior to the Closing of each of the following conditions:

(a) Buyer shall have in all material respects performed and complied with each of the covenants, obligations and agreements contained in this Agreement required to be performed or complied with by Buyer prior to or at the Closing;

(b) Buyer shall have delivered to Seller the full amount of the Final Purchase Price and all other items specified to be delivered by Buyer in Section 3.3 hereof;

(c) No preliminary or permanent injunction or other order issued by any court or governmental authority nor any law promulgated or enacted by any governmental authority shall be in effect which restrains, enjoins or otherwise prohibits the transactions contemplated hereby;

(d) The Court shall have entered the Sale Order approving Buyer as the Successful Bidder and such Sale Order shall not have been reversed, stayed, modified or amended in any manner materially adverse to Seller.

#### **ARTICLE VIII TERMINATION**

8.1 Termination of Agreement. This Agreement may be terminated as follows and in no other manner:

(a) by mutual written agreement of Buyer and Seller at any time prior to the Closing;

(b) by Buyer and/or Seller if the Court fails to find that Buyer is the Successful Bidder or Backup Bidder;

(c) if Seller shall have materially breached or failed to perform or comply with any covenant, obligation or agreement contained in this Agreement, and such breach or failure shall have not been cured within five (5) Business Days after written notice of such breach or failure shall have been provided by Buyer to Seller, then by written notice of Buyer to Seller at any time thereafter; provided, however, that Buyer shall not be entitled to so terminate this Agreement if Buyer shall have materially breached or failed to perform or comply with any

covenant, obligation or agreement contained in this Agreement, and such breach or failure shall have not then been cured;

(d) if Buyer shall have been approved by the Court as the Successful Bidder (including a Backup Bidder who becomes a Successful Bidder) and failed to close the transaction by the Closing Date, and all conditions precedent to Buyer's obligations set forth in Section 7.1 have been satisfied, then by written notice of Seller to Buyer at any time thereafter;

(e) except as set forth in Section 8.1(d) above, if Buyer shall have materially breached or failed to perform or comply with any covenant, obligation or agreement contained in this Agreement, and such breach or failure shall have not been cured within five (5) Business Days after written notice of such breach or failure shall have been provided by Seller to Buyer, then by written notice of Seller to Buyer at any time thereafter; provided, however, that Seller shall not be entitled to so terminate this Agreement if Seller shall have materially breached or failed to perform or comply with any covenant, obligation or agreement contained in this Agreement, and such breach or failure shall have not then been cured.

8.2 Effect of Termination. If this Agreement is terminated pursuant to and in accordance with Section 8.1 hereof, there will be no further liability or obligation on the part of the Parties hereto in connection with this Agreement except as set forth in this Section 8.2. If this Agreement is terminated pursuant to and in accordance with Section 8.1(a), (b), or (c) hereof, Seller shall remit to Buyer the Initial Deposit and the Second Deposit within three (3) Business Days thereafter. If this Agreement is terminated pursuant to and in accordance with Section 8.1(d) or (e) hereof, then Buyer's Initial Deposit and Second Deposit shall be forfeited to Seller and Seller expressly reserves all rights to seek any and all relief to which Seller may be entitled, including, without limitation, damages and/or specific performance.

## ARTICLE IX MISCELLANEOUS

9.1 Survival. All of the representations, warranties, covenants and obligations of the Parties contained in this Agreement and the Transaction Documents shall survive the Closing.

9.2 Successors and Assigns; No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns; provided, however, that except as expressly set forth herein, no party shall assign any of its rights or delegate any of its obligations created under this Agreement without the prior written consent of the other party hereto, and any such purported assignment or delegation without such consent shall be void. Buyer shall be permitted to assign its rights, and delegate its obligations under this Agreement, in whole or in part, to one or more affiliates of Buyer, without prior written approval of Seller. Nothing in this Agreement shall confer upon any person (including any creditor of a Receivership Entity) other than a Party to this Agreement, or a party's permitted successors and assigns, any right or remedy of any nature or kind whatsoever under or by reason of this Agreement.

9.3 Notices. Unless otherwise provided herein, any notice, demand or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be deemed to have been given when delivered personally, by telefacsimile or electronic mail (with a confirming copy sent within one (1) Business Day by any other means described in this section) to the party designated to receive such notice, demand or communication, or on the Business Day following the day sent by a nationally recognized overnight courier, or on the third (3<sup>rd</sup>) Business Day after the same is sent by certified mail, return receipt requested, postage and charges prepaid, directed to the following addresses or to such other or additional addresses as any Party might designate by written notice to each other Party:

If to Seller:

Roberto Martínez, Receiver  
Colson Hicks Eidson  
255 Aragon Avenue  
Second Floor  
Coral Gables, FL 33134  
Telephone: (305) 476-7400  
Facsimile: (305) 476-7444  
Email: [bob@colson.com](mailto:bob@colson.com)

CREDIT SUISSE SECURITIES  
(EUROPE) LIMITED  
C/O CREDIT SUISSE SECURITIES (USA) LLC  
ATTN: MATTHEW VANDENACK  
ELEVEN MADISON AVE 5<sup>TH</sup> FLOOR  
NEW YORK, NEW YORK 10010  
TEL: (212) 325-2618  
FAX: (212) 322-2852  
Email: [matthew.vandenack@credit-suisse.com](mailto:matthew.vandenack@credit-suisse.com)

With a copy to:

David L. Rosendorf, Esq.  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce de Leon Boulevard  
9<sup>th</sup> Floor  
Coral Gables, FL 33134  
Telephone: (305) 372-1800  
Facsimile: (305) 372-3508  
Email: [drosendorf@kttlaw.com](mailto:drosendorf@kttlaw.com)

- and -  
SIDLEY AUSTIN LLP  
ATTN: GEOFFREY T. RAICHT  
787 SEVENTH AVE  
NEW YORK, NEW YORK 10019  
TEL: (212) 839-5448  
FAX: (212) 839-5599  
Email: [g.raicht@sidley.com](mailto:g.raicht@sidley.com)

If to Buyer:

\*\*\*\*\*

Any rejection, refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

9.4 Governing Law; Submission to Jurisdiction.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Florida, without regard to any choice of law rules thereof which might apply the laws of any other jurisdiction.

(b) It is expressly agreed that the Court shall have continuing jurisdiction of all matters related to the Receivership Proceeding and all actions with respect to this Agreement shall be instituted in the Receivership Proceeding in the Court (but without limiting Section 9.4(a) hereof). In furtherance of the foregoing, Seller and Buyer each hereby irrevocably consents and agrees that any legal action, suit or proceeding against it with respect to its

obligations or liabilities or any other matter under or arising out of or in connection with this Agreement or any other Transaction Document shall be brought in the Receivership Proceeding, unless the Receivership Proceeding shall not have subject matter jurisdiction thereof, in which case such legal action, suit or proceeding, as the case may be, shall be brought in the United States District Court for the Southern District of Florida or in the courts of the State of Florida, sitting in Miami-Dade County. By execution and delivery of this Agreement, Seller and Buyer each, to the fullest extent permitted by applicable law, hereby (i) irrevocably accepts and submits to the exclusive jurisdiction of the Receivership Proceeding and such other courts *in personam*, generally and unconditionally with respect to any such action, suit or proceeding, (ii) agrees not to commence any such action, suit or proceeding in any jurisdiction other than the Receivership Proceeding, or if the Receivership Proceeding shall not have jurisdiction, such other courts as are specified in this Section 9.4(b), (iii) waives any objection to the laying of venue of any such action, suit or proceeding therein, and (iv) agrees not to plead or claim that such action, suit or proceeding has been brought in an inconvenient forum.

9.5 Entire Agreement. This Agreement, the Confidentiality Agreement, and the other Transaction Documents (a) contain the entire agreement and understanding of the Parties with respect to the subject matter hereof, and (b) supersede all prior negotiations, discussions, correspondence, communications, understandings, drafts and agreements between the Parties relating to the subject matter hereof, all of which are merged into this Agreement.

9.6 Amendment; Waiver; Consent. This Agreement may be amended, modified, supplemented or restated only by a written instrument executed by the Parties. The terms of this Agreement may be waived only by a written instrument executed by the Party waiving compliance. The waiver by any Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent or other breach, whether or not similar, and no such waiver shall operate or be construed as a continuing waiver unless so provided. No delay on the part of any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, and no single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9.7 Severability. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the fullest extent permitted by applicable law, the Parties hereby waive any provision of law which may render any provision hereof prohibited or unenforceable in any respect.

9.8 Counterparts. This Agreement may be executed by the Parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same agreement, and all signatures need not appear on any one counterpart.

9.9 Headings. The headings and captions in this Agreement are for convenience of reference only and shall not define, limit or otherwise affect any of the terms or provisions hereof.

9.10 Fiduciary Status of Receiver. Notwithstanding anything herein to the contrary, it is expressly acknowledged and agreed that Roberto Martínez is executing this Agreement and each other Transaction Document in his fiduciary capacity only and neither he nor any of his personal assets or business interests will have any liability hereunder or in connection with the transactions contemplated hereby.

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IN WITNESS WHEREOF, this Asset Purchase Agreement has been duly executed and delivered by Seller and Buyer as of the date first above written.

ROBERTO MARTÍNEZ,  
Not in his individual capacity, but solely as  
Receiver for Mutual Benefits Corp., Viatical  
Services, Inc. and Viatical Benefactors, LLC

\_\_\_\_\_  
ROBERTO MARTÍNEZ

~~\*\*\*\*\*~~ CREDIT SUISSE SECURITIES (EUROPE) Limited

By: \_\_\_\_\_  
Name & Title

By: \_\_\_\_\_

Exhibit A

**BIDDING PROCEDURES**

Set forth below are the bidding procedures (the "Bidding Procedures") to be employed with respect to the sale of the Acquired Assets identified in the Asset Purchase Agreement by and between Roberto Martínez, as the Receiver (in such capacity, "Seller") appointed by the United States District Court for the Southern District of Florida (the "Court") for Mutual Benefits Corp. ("MBC"), Viatical Services, Inc. ("VSI") and Viatical Benefactors, LLC ("VBLLC") (the "Receivership Entities") and Buyer. Unless otherwise defined herein, all capitalized terms have the meanings ascribed to them in the Agreement.

The sale of the Acquired Assets under the Agreement (the "Sale") is subject to competitive bidding upon the terms and conditions set forth in these Bidding Procedures, and approval by the Court. Seller shall (i) determine whether any person is a Qualified Bidder; (ii) coordinate the efforts of Qualified Bidders in conducting their due diligence regarding the Acquired Assets; (iii) receive Bids from Qualified Bidders; and (iv) negotiate any Bid made to purchase the Acquired Assets (the "Bidding Process"). No person other than a Qualified Bidder will be allowed to participate in the Bidding Process and Seller shall not supply any information regarding the Acquired Assets to any person who is not a Qualified Bidder.

**Participation Requirements**

In order to participate in the Bidding Process, each interested person (the "Potential Bidder") must deliver to Seller:

- (i) an executed confidentiality agreement in the form attached hereto;
- (ii) current financial statements (audited if available) of (A) the Potential Bidder, or (B) if the Potential Bidder is an entity formed for the purpose of acquiring the Acquired Assets, current financial statement (audited if available) of the equity holder(s) of the Potential Bidder who shall guarantee the obligations of the Potential Bidder, or provide such other form of financial disclosure or credit-quality support information or enhancement acceptable to Seller in Seller's business judgment; and
- (iii) an executed Affidavit of Non-Affiliation attesting that they have no relation to any of the Receivership Entities, named Defendants and Relief Defendants and have never been officers, agents, employees, successors, or otherwise were in active or inactive concert or participation with any of them, in the form attached hereto.

Within two (2) Business Days after a Potential Bidder delivers all the materials set forth above to Seller, Seller shall determine and shall notify the Potential Bidder if such materials are satisfactory to Seller based on Seller's business judgment.

**Due Diligence**

Upon Seller's acceptance and approval of the materials set forth above, Seller shall deliver to each such Potential Bidder a chart of the Policies included in the Acquired Assets in Microsoft Excel format, which will contain relevant information as to each policy. The chart will include, for each policy, the date of birth of the insured, the last date of contact, the carrier, the type of policy, whether the policy was converted, the face value, the gross and net cash value, the last dividend (if any), the date values were last updated, the due date of cash value guaranteed rates, whether the policy is on premium waiver, the date premium waiver needs to be recertified, the due date of the premium, the mode of premium payment, the amount of the premium, the date the policy was issued, and whether the insured is HIV-positive. Each Potential Bidder will also receive a DVD of scanned Verification of Coverage ("VOC") forms in Portable Document Format ("PDF"), which have been completed by the carrier as to each Policy, when provided by the carrier. In addition, Potential Bidders will receive a copy of the Asset Purchase Agreement to be executed in connection with the purchase and sale of the Acquired Assets.

All Potential Bidders who have been approved by Seller may contact Stephen Fernstrom (contact information below) to schedule an on-site viewing of the actual bidding package files. All bidding packages will be available on a DVD and in paper hard-copy format. The on-site viewing will be held at the MBC office in Pompano Beach, Florida during regular business hours. No alternative arrangements will be made. Approved Potential Bidders are invited, urged and cautioned to inspect all available information prior to submitting a bid.

**Initial Bid Deadline**

A Potential Bidder that desires to make a Bid shall deliver written copies of its Bid to Seller no later than **5:00 p.m. (prevailing Eastern time) on June 18, 2007** (the "**Bid Deadline**"). Bids shall be delivered to Seller's counsel at:

Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce de Leon Boulevard, 9<sup>th</sup> Floor  
Coral Gables, FL 33134  
Attention: David L. Rosendorf, Esq.  
Telefacsimile: (305) 372-3508  
Email: [drosendorf@kttlaw.com](mailto:drosendorf@kttlaw.com)

with a copy to:

Stephen Fernstrom  
VSI/MBC  
43 South Pompano Parkway, #112  
Pompano Beach, FL 33069  
Tel: (954) 582-0220 Ext 244  
Fax: (954) 582-0223  
Email: [S.Fernstrom@vsi-services.com](mailto:S.Fernstrom@vsi-services.com)

### Bid Requirements

A bid ("Bid") is a letter from an approved Potential Bidder stating that: (i) the approved Potential Bidder offers to purchase the Acquired Assets on the terms set forth in the Agreement, and setting forth the amount of the Initial Bid; and (ii) the Potential Bidder's offer is irrevocable until 48 hours after closing of the Sale to the Successful Bidder. A Bid must be accompanied by: (i) the Initial Deposit of \$100,000 required by the Agreement; and (ii) written evidence of an unconditional commitment for financing or other evidence of financial ability to consummate the transaction, acceptable to Seller in his sole discretion. Each Bid shall specify the Portfolio as to which the Bid is made. If a Potential Bidder seeks to make a Bid on multiple Portfolios, a separate Bid (satisfying all of the foregoing requirements including an Initial Deposit with respect to each such Bid) shall be submitted as to each Portfolio.

Seller will consider a Potential Bidder to be a "Qualified Bidder" only if in Seller's business judgment the Potential Bidder's Bid meets all of the following requirements:

- (i) the Bid is all cash and does not contain any form of contingent consideration or consideration that is dependent on the maturity of the Policies;
- (ii) the Bid is in the form of the Agreement;
- (iii) the Bid is not subject to a financing or due diligence contingency; and
- (iv) the Bid is accompanied by such other information as is reasonably requested by Seller.

Within two (2) Business Days after receipt of a Bid, Seller shall advise the Potential Bidder if they are a Qualified Bidder.

### Auction

If Seller has received more than one Bid from a Qualified Bidder with respect to a particular Portfolio, Seller will conduct an auction (the "Auction"). The Auction shall take place at 10:00 a.m. (prevailing Eastern time) on June 22, 2007 (the "Auction Date"), at the offices of Kozyak Tropin & Throckmorton, P.A., 2525 Ponce de Leon Boulevard, 9<sup>th</sup> Floor, Coral Gables, FL, or such other time and place as Seller shall notify each Qualified Bidder.

Only Qualified Bidders shall be allowed to participate in the Auction. Within two (2) Business Days after the Bid Deadline, Seller shall advise each Qualified Bidder of the highest Initial Bid received by Seller from a Qualified Bidder for the purchase of the Acquired Assets. Each Qualified Bidder must inform Seller one (1) business day prior to the Auction Date of its intent to participate in the Auction. Seller may require a Qualified Bidder to provide proof of its financial ability to consummate a transaction in the amount of the highest Initial Bid, if in Seller's business judgment the information already provided by such Qualified Bidder is inadequate. Each Qualified Bidder who has timely advised Seller of its intent to participate in the Auction and who has, in Seller's sole discretion, demonstrated a financial ability to

consummate a transaction in the amount of the highest Initial Bid, shall be eligible to participate in the Auction (an "Auction Participant").

At the Auction (i) each Auction Participant will be permitted to increase its Bid; and (ii) all Bids shall be made and received in one room, on an open basis, and all other Auction Participants shall be entitled to be present for all bidding with the understanding that the true identity of each Auction Participant shall be fully disclosed to all other Auction Participants and that all material terms of each Bid will be fully disclosed to all other Auction Participants throughout the entire Bidding Process. Bidding shall be increments of at least 1% of the highest Initial Bid and shall be on an all cash basis and shall not contain any form of contingent consideration or consideration that is dependent upon the maturity of the Acquired Assets.

The Auction shall continue until such time as each Auction Participant has indicated its unwillingness to increase its Bid in accordance with these Bidding Procedures. Upon conclusion of the Auction, Seller shall identify the Bid that in its business judgment based on the requirements of these Bidding Procedures is the highest and best Bid (the "Highest Bid"). Seller shall notify all Auction Participants, prior to the adjournment of the Auction, of the Highest Bid, and of the next highest and best Bid (the "Backup Bid").

Within one (1) Business Day after the conclusion of the Auction, the Bidder who submitted the Highest Bid ("Highest Bidder") and the Bidder who submitted the Backup Bid ("Backup Bidder") shall each remit to Seller a second deposit equal to 10% of their respective final Bids at Auction, less \$100,000.00 (the "Second Deposit"), in immediately available funds, such that each such Bidder's Initial Deposit together with their Second Deposit shall equal 10% of such Bidder's final Bid at Auction.

In the event that the Highest Bidder fails to timely remit the Second Deposit, then its Initial Deposit shall be forfeited and Seller may in his business judgment proceed to sell the Acquired Assets to the Backup Bidder as if the Backup Bidder were the Highest Bidder in accordance with the procedures set forth below. In the event that the Backup Bidder fails to timely remit the Second Deposit, then its Initial Deposit shall be forfeited.

#### Acceptance of Bid

Seller may (a) determine, in its business judgment, which Bid, if any, if the Highest Bid; and (b) reject, at any time before entry of the Sale Order, any Bid that (i) is inadequate or insufficient, (ii) not in conformity with these Bidding Procedures, any order of the Court, or the terms and conditions of the Agreement, or (iii) contrary to the best interests of Seller. If Seller determines, in his sole discretion, that the Highest Bid represents a transaction which is in the best interests of the Receivership Entities and their creditors, then Seller shall notify the Highest Bidder of his acceptance of such Bid, subject to Court approval. If Seller determines, in his sole discretion, that the Backup Bid represents a transaction which is in the best interests of the Receivership Entities and their creditors, then Seller shall notice the Backup Bidder of his acceptance of such Bid, subject to Court approval and subject to the failure of the Highest Bidder to timely close on the Sale pursuant to and in accordance with the terms of the Agreement.

Promptly after the conclusion of the Auction and Seller's determination that the Highest Bid (and, if applicable, Backup Bid) represents a transaction which is in the best interest of the Receivership Entities and their creditors, Seller shall file a motion with the Court seeking the entry of a Sale Order approving the selection of the Highest Bidder as the Successful Bidder and authorizing and approving the Sale to the Successful Bidder pursuant to the terms and conditions of the Agreement, and, if applicable, approving the selection of the Backup Bidder. Upon the entry of such Sale Order, the Highest Bidder shall be the "Successful Bidder". Seller shall seek the entry of the Sale Order on an expedited basis as soon as reasonably possible following the conclusion of the Auction. Seller shall have accepted a Bid only when such Bid has been approved by the Court pursuant to the Sale Order.

Subject to Court approval pursuant to the Sale Order, Seller shall effect the Sale of the Acquired Assets to the Successful Bidder in accordance with the terms of the Agreement.

#### **Failure to Consummate Sale**

If the Successful Bidder fails to consummate the sale of the Acquired Assets because of a breach or failure to perform on the part of such Successful Bidder, Seller shall be authorized to effect a sale to the Backup Bidder pursuant to the terms of the Backup Bid, as approved pursuant to the Sale Order, without further order of the Court. The Successful Bidder's Initial Deposit and Second Deposit shall be forfeited to Seller, and except to the extent otherwise provided in the Agreement, Seller expressly reserves all rights to seek damages or other relief from such Successful Bidder.

In the event that the Successful Bidder fails to Close by the Closing Date (which is no later than three (3) Business Days after the entry of the Sale Order), Seller, within 24 hours thereafter, shall notify the Backup Bidder of such failure and Backup Bidder shall become the Successful Bidder, and the Closing Date with respect to the Backup Bidder shall be within two (2) Business Days after Seller's transmission of such notice to the Backup Bidder.

#### **Return of Deposits**

The Initial Deposit and Second Deposit of the Successful Bidder and the Backup Bidder shall be held by Seller until the later of (i) two (2) Business Days after consummation of the Sale of the Acquired Assets, or (ii) the date upon which the Agreement is terminated in accordance with its terms, subject to the terms set forth in the Agreement. All other Initial Deposits and Second Deposits of all other Auction Participants shall be returned within two (2) Business Days after the conclusion of the Auction.

**Contact Information**

**For Bid Qualification Information Contact:**

David Rosendorf, Esq.  
Counsel to Receiver Roberto Martinez  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce De Leon, 9<sup>th</sup> Floor  
Coral Gables, FL 33134  
Tel: (305) 372-1800  
Fax: (305) 372-3508  
email: [drosendorf@kttlaw.com](mailto:drosendorf@kttlaw.com)

**For Due Diligence Coordination Contact:**

Stephen Fernstrom  
VSI/MBG  
43 South Pompano Parkway, #112  
Pompano Beach, FL 33069  
Tel: (954) 582-0220 Ext 244  
Fax: (954) 582-0223  
Email: [S.Fernstrom@vsi-services.com](mailto:S.Fernstrom@vsi-services.com)

**CONFIDENTIALITY AGREEMENT**  
**BIDDER FOR INSURANCE PORTFOLIOS OF**  
**VIATICAL SETTLEMENT INTERESTS**

AGREEMENT dated as of May 29, 2007, by and among Roberto Martínez, Receiver for Mutual Benefits Corp., Viatical Services, Inc. Viatical Benefactors, LLC, Peter Lombardi, Leslie Steinger a/ka/ Leslie Steiner, and Anthony Livoti, Jr., P.A. and related entities ("MBC"), and Credit Suisse Securities (Europe) Limited (the "Bidder").

WHEREAS, the Bidder wishes to undertake due diligence review of records related to the insurance policies in which MBC holds or expects to be awarded beneficial and/or ownership interests (the "Insurance Portfolios"), for the purpose of making an offer to purchase those interests;

WHEREAS, the Bidder has requested to undertake a due diligence review of the Insurance Portfolios by viewing documents and records in the possession of the Receiver and not otherwise subject to review;

WHEREAS, the relevant records contain information of a highly personal nature that could encroach on the privacy rights of the individuals ("Viators") insured by the policies that comprise the Insurance Portfolios;

NOW, THEREFORE, in consideration of the mutual covenants contained herein the parties agree as follows:

1. As used herein, "Confidential Information" means all information regardless of the form, date or party from whom it is transmitted, related to any of the insurance policies that comprise the Insurance Portfolios.

2. The Bidder shall only use the Confidential Information for the purpose of evaluating a possible acquisition of the Insurance Portfolios. The Bidder shall not disclose any Confidential Information it receives from any source to any person, firm or corporation except employees of the Bidder and its affiliated companies who have a need to know the Confidential Information in connection with the possible acquisition of the Insurance Portfolios, and who have been informed of and agree to comply with the Bidder's obligations hereunder.

3. Information shall not be deemed Confidential Information for purposes of this Agreement, and the Bidder shall have no obligation with respect to any such information, which: (a) is already known to the Bidder at the time of its disclosure; (b) is or becomes publicly known through no wrongful act of the Bidder; (c) is independently developed by the Bidder; or (d) the Bidder is advised by counsel is lawfully required to be disclosed to any government agency or is otherwise required to be disclosed by law. Notwithstanding the foregoing, Confidential Information disclosed pursuant to this Agreement shall remain confidential and subject to this agreement, notwithstanding that such information later becomes publicly known through any other lawful



means.

4. All Confidential Information disclosed by the Receiver to the Bidder pursuant to this Agreement in tangible form (including, without limitation, information incorporated in computer software) shall be and remain property of the Receiver, and all such Confidential Information shall be promptly returned by the Bidder upon receipt of a written request from the Receiver; provided, however, that such Confidential Information which is made part of any internal records required to be maintained by Bidder in connection with its underwriting and credit evaluation process shall not have to be returned.

5. The Bidder acknowledges that nothing herein shall render the Receiver responsible for the accuracy of the Confidential Information.

6. This Agreement shall be governed by the laws of the State of Florida.


7. The parties agree that any dispute with regard to this agreement will be subject to the jurisdiction of the United States District Court, Southern District of Florida.

8. Except as otherwise provided in the Asset Purchase Agreement, notwithstanding anything contained in this Agreement to the contrary, the parties hereto agree that the Bidder's obligations hereunder regarding the Confidential Information with respect to any particular insurance policy in the Insurance Portfolios shall terminate upon the closing of the purchase of such policy by the Bidder from MBC.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

David Rosendorf, Esq.  
Attorney for Roberto Martínez, Receiver for  
Mutual Benefits Corp. et al.  
2525 Ponce De Leon, 9<sup>th</sup> Floor  
Coral Gables, Florida 33134  
Tel: (305) 372-1800

CREDIT SUISSE SECURITIES  
(EUROPE) LIMITED

By:   
Name: Chris Chapman  
Title: Vice President

By:   
Name: Kristy Dahlberg  
Title: Vice President

One Cabot Square  
London, E14 4QJ

**MBC - BIDDER AFFIDAVIT OF NON-AFFILIATION**

STATE OF NEW YORK )

) ss:

COUNTY OF NEW YORK )

Before me, the undersigned authority, personally appeared Marcos Flores ("Affiant"), who after being duly sworn, deposes and states:

1. Affiant, as authorized representative of Credit Suisse Securities (Europe) Limited (the "Potential Bidder"), desires to participate in the bidding for the auction of the Mutual Benefits Corporation Viatical Portfolios, referenced in the Mutual Benefits Corp. Solicitation of Bids package dated May 21, 2007, to be conducted by Roberto Martinez, Receiver (the "Receiver") for Mutual Benefits Corporation, Viatical Benefactors, LLC and Viatical Services, Inc. et al. (the "Auction").

2. Affiant represents that, to the best of his knowledge, neither he nor any individual employed by the Life Finance Group of Credit Suisse who will be participating in the bidding for the Auction ("Participating CS Personnel") is related by blood or marriage to any of JOEL STEINGER a/k/a JOEL STEINER, LESLIE STEINGER a/k/a LESLIE STEINER, PETER LOMBARDI, Defendants, or any of their Relief Defendants in *SEC v. Mutual Benefits Corp., et al.*, Case No. 04-60573-CIV-MORENO (the "Individual Defendants"). Affiant further represents that, to the best of his knowledge, neither he nor any Participating CS Personnel has ever been an officer, agent or employee of MUTUAL BENEFITS CORP., VIATICAL BENEFACTORS, LLC, VIATICAL SERVICES, INC., KENSINGTON MANAGEMENT, INC., RAINY CONSULTING CORP., TWIN GROVES INVESTMENTS, INC., P.J.L. CONSULTING, INC., SKS CONSULTING, INC., CAMDEN CONSULTING, INC. or any of their Relief Defendants (the "Entity Defendants" and, together with the "Individual Defendants", the "Receivership Entities") or has ever worked for or on behalf of any of the Receivership Entities.

3. Affiant further represents that, to the best of his knowledge, other than Roberto Martinez, as Receiver, no person or entity in any manner affiliated with the Receivership Entities shall receive any money or other consideration in connection with this auction of the MBC Viatical Portfolio.

4. Affiant further represents that, to the best of his knowledge, none of the Receivership Entities, nor any person acting in concert with, or on behalf of them, is acquiring any interest in the Mutual Benefits Corporation Viatical Portfolio.

FURTHER AFFIANT SAYETH NAUGHT.

Signature: \_\_\_\_\_

Print Name & Title: Marcos Flores, \_\_\_\_\_

The foregoing instrument was acknowledged before me this 25 day of May, 2007, by Marcos Flores who is personally known to me/who has produced as identification and who ~~did~~ did not take an oath.

Judy Rosquete  
Notary Public, State of New York County of NY  
Print Name: Judy Rosquete

**Judy Rosquete**  
Notary Public, State of New York  
No. 01R08134915  
Qualified in New York County  
Commission Expires October 11, 2009

**Exhibit B**

**CERTAIN TERMS OF SALE ORDER**

The Sale Order shall approve and authorize Seller to sell and assign the Acquired Assets to Buyer in accordance with the terms of the Asset Purchase Agreement and shall include, without limitation, findings of fact and conclusions of law that:

(a) based on the record presented to the Court and all pleadings in the Receivership Proceeding and arguments by counsel and evidence and/or proffers presented and accepted, Buyer has acted in good faith and is a good faith purchaser of the Acquired Assets;

(b) Seller has the sole and absolute authority, on behalf of the Receivership Entities, to convey all claims, options, privileges, right, title and interest in, to and under the Acquired Assets;

(c) the sale of the Acquired Assets in accordance with the terms of the Asset Purchase Agreement is approved and Buyer and Seller are directed to consummate all of the transactions contemplated thereby;

(d) at Closing, Buyer will be vested with all claims, options, privileges, right, title and interest in, to and under the Acquired Assets, free and clear of all Encumbrances;

(e) Buyer shall have the right to from time to time obtain updated medical information regarding the viator/insured under each Policy, including (i) pursuant to 45 C.F.R. § 164.512(e)(1)(i), all health care providers who are served with a copy of the Sale Order and a written request by Buyer shall be authorized to immediately release copies to Buyer of all records relative to the care, treatment and health of the insured/viator under such Policy so requested by Buyer, for the purpose of predicting health and life expectancy; and (ii) each insured/viator under a Policy being required to provide Buyer with Health Insurance Portability and Accountability Act of 1996 compliance medical authorizations and contact information for all physicians and other medical providers who have treated such insured/viator since December 31, 2000, and any and all medical information generated since December 31, 2000 pertaining to such insured/viator's health and medical condition, and Buyer shall be entitled to seek enforcement of this provision as to any person.

(f) the sale of the Acquired Assets is not precluded by or contrary to any prior Order issued by the Court and no further consents by any person (including any governmental authority) are required to convey the Acquired Assets to Buyer in accordance with the Asset Purchase Agreement.

**Schedule 2.1**

**POLICIES**

[LIST TO BE INSERTED WITH BID]

**TAB 2**

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**ANNUAL REPORT 2006**

**Board of Directors**

Leonhard Fischer (Chairman and CEO)

Osama Abbasi

Gael de Boissard

Stephen Dainton

Renato Fassbind (Non Executive)

Tobias Guldemann (Non Executive)

Fawzi Kyriakos-Saad

Hamish Leslie-Meiville

Marco G. Mazzucchelli

Costas P. Michaelides

Simon D. Yates

**Company Secretary**

Paul Hare

**COMPANY REGISTRATION NUMBER: 891554**



## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their Report and the Financial Statements for the year ended 31 December 2006.

### **Business Review**

#### **Profile**

Credit Suisse Group ('CSG'), a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the Credit Suisse group) specialising in Investment Banking, Private Banking and Asset Management.

Credit Suisse Securities (Europe) Ltd (the 'Company') is an indirect wholly owned subsidiary of CSG. It is regulated in the United Kingdom by the Financial Services Authority and is a listed money market institution under the Financial Services and Markets Act, 2000.

Its principal activities are the arranging of finance for clients in the international capital markets, the provision of financial advisory services and acting as dealer in securities, derivatives and foreign exchange on a principal and agency basis.

The Credit Suisse Securities (Europe) Ltd Group (the 'Group') consists of the Company, its consolidated subsidiaries and special purpose entities ('SPEs'). The Company has branch operations in Frankfurt, Paris, Amsterdam, Milan and Seoul. The Frankfurt, Paris, Amsterdam and Milan branches provide equity broking and investment banking services. In addition to providing these activities, the Seoul branch received approval from South Korea's Financial Supervisory Commission to engage in over-the-counter derivatives business and is a member of the Korean Securities Dealers Association. The Company also maintains representative offices in Turkey and South Africa.

#### **Principal Product Areas**

The Fixed Income Division ('FID') provides a range of derivative products including forward rate agreements, interest rate and currency swaps, interest rate options, bond options, commodities and credit derivatives for the financing, risk management and investment needs of its customers. FID also engages in underwriting, securitising, trading and distributing a broad range of financial instruments in developed and emerging markets including US Treasury and government agency securities, US and foreign investment-grade and high yield corporate bonds, money market instruments, foreign exchange and real estate related assets.

The Equity Division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, options and futures. Additionally the Prime Services business provides brokerage services to hedge funds.

The Investment Banking Division ('IBD') activities include financial advisory services regarding mergers and acquisitions and other matters, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments and, in conjunction with the Equity and Fixed Income divisions, IBD provides capital raising services.

#### **Performance**

The net operating income for the Group for 2006 was US\$3,279M (2005: US\$2,305M). The profit after tax, attributable to shareholders, for the year was US\$158M compared with a loss of US\$496M in 2005.

As at 31 December 2006, the Group had total assets of US\$314,423M (2005: US\$251,464M) and total equity of US\$1,929M (2005: US\$520M). As a regulated entity, the Company is required to ensure that it is adequately capitalised at all times by maintaining an excess of Financial Resources over its Financial Resource Requirements, as defined by the regulations. As at 31 December 2006, the Company's capital ratio was in excess of this minimum threshold.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006**

An analysis of the total operating income by division is given below:

	2006	2005
	US\$M	US\$M
Fixed Income Division	902	809
Equity Division	1,855	1,259
Investment Banking Division	281	209
Other	241	28
	<u>3,279</u>	<u>2,305</u>

The Fixed Income Division's net operating income increased by 11% on the previous year. Significant contributions were generated by Emerging Market trading, Interest Rate trading, the Leveraged Finance business and the Structured Products business.

The Equity Division's net operating income increased by 47% on the prior year. A substantial portion of this movement related to commission income from the Cash Equity business. Further increases in net operating income were generated by Equity Proprietary trading, Equity Convertibles trading, and the Prime Services business.

The Investment Banking division's net operating income increased by 34% on the prior year. This was generated by the M&A and Strategic Advisory business.

'Other' reflects Private Banking and other operating income that is not specifically allocated to any business division. Items in this category are particularly sensitive to trading volumes and available capital, both of which increased during 2006.

The Group's cost base for the year was US\$3,129M (2005:US\$2,940M). The movement was mainly due to increased bonus costs and higher salary costs as a consequence of headcount increases.

**Subordinated loan capital**

During the year the Group borrowed US\$618M of additional subordinated loan capital from Credit Suisse First Boston Finance BV (2005: borrowed US\$150M).

**Capital Contribution**

During the year the Group received US\$1,248M additional capital contributions from Credit Suisse Investment Holdings (UK) (2005: US\$400M).

**Dividends**

No dividends were paid or are proposed for 2006 (2005: US\$nil).

**Risk Management**

The Group's financial risk management objectives and policies and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 32.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006**

**Directors**

The names of the directors as at the date of this report are set out on page 2. Changes in the directorate since 31 December 2006 and up to the date of this report are as follows:

**Appointments**

Simon D. Yates	12 December 2006
Osama Abbasi	5 March 2007
Leonhard Fischer	5 March 2007
Fawzi Kyriakos-Saad	13 March 2007

**Resignations**

David R. Mathers	12 December 2006
Jeremy J. Bennett	5 March 2007
Michael G. Philipp	5 March 2007

None of the directors who held office at the end of the financial year was beneficially interested, at any time during the year, in the shares of the Group or had any disclosable interest in shares of Credit Suisse group companies.

Directors of the Group benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

**Disclosure of Information to Auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

**Employee Involvement and Employment of Disabled Persons**

The Group has a forward strategy which supports its desire to become an employer of choice for all including the disabled. The Group gives full and fair consideration to disabled persons in employment applications, training and career development including those who become disabled during their period of employment.

**Donations**

During the year the Group made US\$690,703 (2005: US\$282,177) of charitable donations. There were no political donations made by the Group during the year (2005: US\$nil).

**Auditors**

Pursuant to Section 386 of the Companies Act 1985, KPMG Audit Plc continues in office as the Group's auditor.

**International Financial Reporting Standards**

The Group's 2006 annual accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the EU.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006**

**Subsequent Events**

Since the end of 2006 the Group has borrowed additional subordinated loan capital of US\$450M from Credit Suisse First Boston Finance BV.

By Order of the Board



Paul Hare  
Company Secretary

One Cabot Square  
London E14 4QJ  
13 March 2007

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with IFRS as adopted by the EU and applicable laws.

The Group and parent Company financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and the parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the Group and parent Company financial statements (the 'financial statements') of Credit Suisse Securities (Europe) Ltd for the year ended 31 December 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2006 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 December 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London  
13 March 2007

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

		Group 2006 US\$M	Group 2005 US\$M
	<b>Note</b>		
Interest income	4	6,876	4,293
Interest expense	4	(8,107)	(5,196)
<b>Net interest expense</b>	<b>4</b>	<b>(1,231)</b>	<b>(903)</b>
Net commissions and fees	5	1,963	1,372
Net trading revenues	6	2,652	1,890
Net other charges	5	(105)	(54)
<b>Net non-interest revenues</b>		<b>4,510</b>	<b>3,208</b>
<b>Net operating income</b>		<b>3,279</b>	<b>2,305</b>
Compensation and benefits	5	(2,464)	(2,276)
Other expenses	5	(665)	(665)
<b>Total operating expenses</b>		<b>(3,129)</b>	<b>(2,940)</b>
<b>Profit/(Loss) before tax</b>		<b>150</b>	<b>(635)</b>
Income tax credit	7	8	139
<b>Profit/(Loss) after tax</b>		<b>158</b>	<b>(496)</b>
<b>Profit attributable to:</b>			
Equity holders of the parent		158	(496)
		<b>158</b>	<b>(496)</b>

All profits and losses for both 2006 and 2005 are from Continuing Operations.

The notes on pages 17 to 77 form an integral part of these financial statements.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	Group 2006 US\$M	Group 2005 US\$M
<b>Assets</b>			
Cash and cash equivalents		4,737	3,897
Interest-bearing deposits with banks		20	655
Securities purchased under resale agreements and securities borrowing transactions	8	194,146	155,997
Trading assets	6	71,334	59,362
Financial assets designated at fair value through profit or loss	6	2,057	790
Loans	9	-	15
Other investments	10	9	9
Deferred tax assets	11	505	398
Other assets	12	41,518	30,271
Goodwill	15	7	6
Property, plant and equipment	16	90	64
<b>Total assets</b>		<b>314,423</b>	<b>251,464</b>
<b>Liabilities</b>			
Deposits	17	1,939	1,042
Securities sold under repurchase agreements and securities lending transactions	8	150,554	122,559
Trading liabilities	6	52,131	46,329
Financial liabilities designated at fair value through profit or loss	6	4,760	284
Short term borrowings	18	66,868	55,393
Current tax liabilities		250	154
Long term debt	19	2,292	1,674
Deferred tax liabilities	11	9	11
Other liabilities	20	33,627	23,430
Provisions	21	64	68
<b>Total liabilities</b>		<b>312,494</b>	<b>250,944</b>
<b>Shareholders' equity</b>			
Called-up share capital	22	4,523	3,276
Retained earnings		(2,560)	(2,718)
Other reserves		(34)	(37)
<b>Total shareholders' equity</b>		<b>1,929</b>	<b>520</b>
<b>Total liabilities and shareholders' equity</b>		<b>314,423</b>	<b>251,464</b>

The notes on pages 17 to 77 form an integral part of these financial statements.

Approved by the Board of Directors on 13 March 2007 and signed on its behalf by

  
Costas P. Michaelides



## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

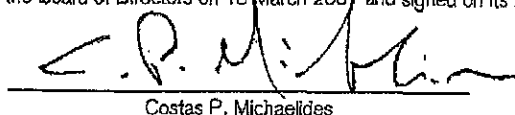
## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	Company 2006 US\$M	Company 2005 US\$M
<b>Assets</b>			
Cash and cash equivalents		4,727	3,897
Interest-bearing deposits with banks		719	655
Securities purchased under resale agreements and securities borrowing transactions	8	194,146	155,997
Trading assets	6	71,334	59,362
Financial assets designated at fair value through profit or loss	6	1,898	790
Loans	9	-	15
Other investments	10	9	9
Deferred tax assets	11	505	398
Other assets	12	40,824	30,271
Investment in subsidiary undertakings	14	155	-
Goodwill	15	7	6
Property, plant and equipment	16	90	64
<b>Total assets</b>		<b>314,414</b>	<b>251,464</b>
<b>Liabilities</b>			
Deposits	17	1,939	1,042
Securities sold under repurchase agreements and securities lending transactions	8	150,554	122,559
Trading liabilities	6	52,131	46,329
Financial liabilities designated at fair value through profit or loss	6	4,754	284
Short term borrowings	18	66,868	55,393
Current tax liabilities		250	154
Long term debt	19	2,292	1,674
Deferred tax liabilities	11	9	11
Other liabilities	20	33,627	23,430
Provisions	21	64	68
<b>Total liabilities</b>		<b>312,488</b>	<b>250,944</b>
<b>Shareholders' equity</b>			
Called-up share capital	22	4,523	3,275
Retained earnings		(2,563)	(2,718)
Other reserves		(34)	(37)
<b>Total shareholders' equity</b>		<b>1,926</b>	<b>520</b>
<b>Total liabilities and shareholders' equity</b>		<b>314,414</b>	<b>251,464</b>

The notes on pages 17 to 77 form an integral part of these financial statements.

For the year ended 2006, US\$155M of profit attributable to shareholders (2005: US\$496M) has been dealt with in the accounts of the Company.

Approved by the Board of Directors on 18 March 2007 and signed on its behalf by

  
Costas P. Michaelides

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Group					Total shareholders' equity
	Share Capital	Retained Earnings	Other Reserves			
			Cash flow hedging reserve	Translation reserve	Total other reserves	
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Balance as at 01 January 2006	3,275	(2,718)	-	(37)	(37)	520
Foreign exchange translation differences	-	-	-	30	30	30
Net gain on hedges of net investments in foreign entities taken to equity	-	-	-	(27)	(27)	(27)
Net gain on cash flow hedging instruments transferred to income statement	-	-	-	-	-	-
Net profit for the year	-	158	-	-	-	158
Total recognised income and expense for the year	-	158	-	3	3	161
Capital contribution	1,248	-	-	-	-	1,248
Balance as at 31 December 2006	4,523	(2,560)	-	(34)	(34)	1,929

The notes on pages 17 to 77 form an integral part of these financial statements.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Company					Total shareholders' equity
	Share Capital	Retained Earnings	Other Reserves			
			Cash flow hedging reserve	Translation reserve	Total other reserves	
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Balance as at 01 January 2006	3,275	(2,718)	-	(37)	(37)	520
Foreign exchange translation differences	-	-	-	30	30	30
Net gain on hedges of net investments in foreign entities taken to equity	-	-	-	(27)	(27)	(27)
Net gain on cash flow hedging instruments transferred to income statement	-	-	-	-	-	-
Net profit for the year	-	155	-	-	-	155
Total recognised income and expense for the year	-	155	-	3	3	158
Capital contribution	1,248	-	-	-	-	1,248
Balance as at 31 December 2006	4,523	(2,563)	-	(34)	(34)	1,926

The notes on pages 17 to 77 form an integral part of these financial statements.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

## CONSOLIDATED GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	Group and Company					Total shareholders' equity
	Share Capital	Retained Earnings	Other Reserves			
			Cash flow hedging reserve	Translation reserve	Total other reserves	
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Balance as at 01 January 2005	2,875	(2,222)	3	(30)	(27)	626
Foreign exchange translation differences	-	-	-	5	5	5
Net gain on hedges of net investments in foreign entities taken to equity	-	-	-	(12)	(12)	(12)
Net gain on cash flow hedging instruments transferred to income statement	-	-	(3)	-	(3)	(3)
Net loss for the year	-	(496)	-	-	-	(496)
Total recognised income and expense for the year	-	(496)	(3)	(7)	(10)	(506)
Capital contribution	400	-	-	-	-	400
Balance as at 31 December 2005	3,275	(2,718)	-	(37)	(37)	520

The notes on pages 17 to 77 form an integral part of these financial statements.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Group 2006 US\$M	Group 2005 US\$M
<b>Operating activities of operations</b>		
Profit/(Loss) before tax for the year	150	(635)
<b>Adjustments to reconcile net income to net cash provided by/(used in) operating activities</b>		
Non-cash items included in loss before tax and other adjustments:		
Impairment, depreciation and disposals of property, plant and equipment	11	8
Interest accrued on long term debt	111	68
Foreign exchange (gains)/losses	(1)	(4)
Net (increase)/decrease in operating assets:		
Interest bearing deposits with banks	635	(355)
Securities purchased under resale agreements and securities borrowing transactions	(38,149)	(18,893)
Trading assets	(11,972)	(8,535)
Financial assets designated at fair value through profit or loss	(1,267)	(790)
Loans	15	(15)
Other assets	(11,247)	(8,109)
Net increase/(decrease) in operating liabilities:		
Securities sold under resale agreements and securities lending transactions	27,995	19,962
Deposits	897	780
Short term borrowings	11,475	(4,967)
Trading liabilities	5,802	15,893
Financial liabilities designated at fair value through profit or loss	4,476	284
Other liabilities	10,192	5,036
Provisions	(4)	20
<b>Cash used in operations</b>	<b>(881)</b>	<b>(252)</b>
Income tax (paid)/received	(3)	124
<b>Net cash flow used in operating activities</b>	<b>(884)</b>	<b>(128)</b>
<b>Investing activities</b>		
Purchase of other investments	-	(1)
Capital expenditure for property, plant and equipment	(36)	(5)
<b>Net cash flow used in investing activities</b>	<b>(36)</b>	<b>(6)</b>
<b>Financing activities</b>		
Increases in long term debt	618	150
Increase in capital contribution	1,248	400
Interest paid on long term debt	(106)	(62)
<b>Net cash flow from financing activities</b>	<b>1,760</b>	<b>488</b>
<b>Net increase in cash and cash equivalents</b>	<b>840</b>	<b>354</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>3,897</b>	<b>3,543</b>
<b>Cash and cash equivalents at end of the year</b>	<b>4,737</b>	<b>3,897</b>

The notes on pages 17 to 77 form an integral part of these financial statements.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

## COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Company 2006 US\$M	Company 2005 US\$M
<b>Operating activities of operations</b>		
Profit/(Loss) before tax for the year	147	(636)
<b>Adjustments to reconcile net income to net cash provided by/(used in) operating activities</b>		
Non-cash items included in loss before tax and other adjustments:		
Impairment, depreciation and disposals of property, plant and equipment	11	8
Interest accrued on long term debt	111	68
Foreign exchange (gains)/losses	(1)	(4)
Net (increase)/decrease in operating assets:		
Interest bearing deposits with banks	(64)	(355)
Securities purchased under resale agreements and securities borrowing transactions	(38,149)	(18,893)
Trading assets	(11,972)	(8,635)
Financial assets designated at fair value through profit or loss	(1,108)	(790)
Loans	15	(15)
Other assets	(10,553)	(8,109)
Net increase/(decrease) in operating liabilities:		
Securities sold under resale agreements and securities lending transactions	27,995	19,962
Deposits	897	780
Short term borrowings	11,475	(4,967)
Trading liabilities	5,802	15,893
Financial liabilities designated at fair value through profit or loss	4,470	284
Other liabilities	10,192	5,036
Provisions	(4)	20
<b>Cash used in operations</b>	<b>(736)</b>	<b>(252)</b>
Income tax (paid)/received	(3)	124
<b>Net cash flow used in operating activities</b>	<b>(739)</b>	<b>(128)</b>
<b>Investing activities</b>		
Purchase of other investments	-	(1)
Investment in subsidiary undertaking	(155)	-
Capital expenditure for property, plant and equipment	(36)	(5)
<b>Net cash flow used in investing activities</b>	<b>(191)</b>	<b>(6)</b>
<b>Financing activities</b>		
Increases in long term debt	618	150
Increase in capital contribution	1,248	400
Interest paid on long term debt	(106)	(62)
<b>Net cash flow from financing activities</b>	<b>1,760</b>	<b>488</b>
<b>Net increase in cash and cash equivalents</b>	<b>830</b>	<b>354</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>3,897</b>	<b>3,543</b>
<b>Cash and cash equivalents at end of the year</b>	<b>4,727</b>	<b>3,897</b>

The notes on pages 17 to 77 form an integral part of these financial statements.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**

**1. General**

Credit Suisse Securities (Europe) Limited is a Group domiciled in the United Kingdom. The address of the Company's registered office is One Cabot Square, London, E14 4QJ.

**2. Significant Accounting Policies**

**a) Statement of compliance**

Following the adoption of Regulation EC 1606/2002 on the 19 July 2002 by the European Parliament, the Group is required to prepare Consolidated Financial Statements in accordance with *International Financial Reporting Standards* as adopted by the EU ("adopted IFRS"), including the standards (*International Accounting Standards* ("IAS")/IFRS), as well as the interpretations issued by both the Standing Interpretations Committee ("SIC") and the International Financial Reporting Interpretations Committee ("IFRIC") as applicable to the Group for financial periods beginning 1 January 2005. The financial statements also comply with the relevant provisions of Part VII of the Companies Act 1985 (as amended by the Companies Act 1985 (International Accounting Standards and other Accounting Amendments) Regulations 2004).

Both the parent Company and the Group financial statements have been prepared and approved by the directors in accordance with adopted IFRS. On publishing the parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s280 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

**b) Basis of preparation**

The financial statements are presented in United States dollars (US\$), rounded to the nearest million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments designated by the Group as at fair value through profit or loss.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

The Group adopted amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts which apply to periods commencing on or after 1 January 2006. The amendments do not have any significant impact on the financial statements for the period commencing 1 January 2006.

The Group has elected not to early adopt the provisions of IFRS 7 'Financial Instruments – Disclosures'. The new standard is a pure disclosure standard and does not change the recognition and measurement of financial instruments. Accordingly, it will have no effect on profit for the period and net assets of the Group. The new standard requires entities to make enhanced quantitative and qualitative risk disclosures for all major categories of financial instruments in their financial statements.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**

**2. Significant Accounting Policies (continued)**

The Group has also elected not to early adopt, and is currently evaluating the potential impacts of, the following IFRICs which are issued but not yet effective:

- IFRIC 7 'Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006);
- IFRIC 8 'Scope of IFRS 2' (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9 'Reassessment of Embedded Derivatives' (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10 'Interim Financial Reporting and Impairment' (effective for annual periods beginning on or after 1 November 2006); and
- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' (effective for annual periods beginning on or after 1 March 2007).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**c) Basis of consolidation**

The Group's Financial Statements include the results and positions of the Company and its consolidated subsidiaries including special purpose entities. The Group's Financial Statements include the Income Statements, Balance Sheets, Cash Flow Statements, Statements of Changes in Equity and the related notes.

A subsidiary is an entity which the Group controls. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired are included in the Financial Statements from the date that control commences until the date that control ceases. Investments in subsidiaries are accounted for at cost in accordance with IAS 27 in the Company standalone accounts.

The Company also consolidates SPEs when the substance of the relationship between the Company and the SPE indicates that the SPE is controlled by the Company in accordance with the Standing Interpretations Committee (SIC) 12.

The effects of intercompany transactions and balances have been eliminated in preparing the consolidated financial statements.

**d) Foreign currency**

Transactions denominated in currencies other than the functional currency (US\$) of the Company are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to US\$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies at balance sheet date are not revalued for movements in foreign exchange rates.

The assets and liabilities of branch operations with functional currencies other than US\$ are translated into US\$ at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of these operations are translated to US\$ at the average foreign exchange rate for the period. The resulting translation differences are recognised directly in a "Translation reserve". On disposal, these translation differences are reclassified to the income statement as part of gain or loss on disposal.

**e) Cash and cash equivalents**

For the purpose of preparation and presentation of the balance sheet and cash flow statement, cash and cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less and that are held for cash management purposes.



**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**

**2. Significant Accounting Policies (continued)**

**f) Securities purchased or sold under resale or repurchase agreements**

Securities purchased under agreements to resell ('reverse repurchase agreements') and securities sold under agreements to repurchase ('repurchase agreements') are generally treated as collateralised financing transactions. In reverse repurchase agreements, the cash advanced, including accrued interest, is recognised on the balance sheet as reverse repurchase agreements. In repurchase agreements, the cash received, including accrued interest, is recognised on the balance sheet as repurchase agreements on a settlement date basis.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not transferred unless all or substantially all the risks and rewards are obtained or relinquished. The Group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

Forward starting repurchase agreements are reported off balance sheet between trade date and settlement date. These are recorded at the amount of the future initial cash exchange. After the initial exchange has taken place the reporting for the transactions follows the policy above.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised on an effective yield basis and reported as interest income or interest expense for agreements that are not classified as fair value through profit and loss.

**g) Securities borrowing and lending**

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the balance sheet unless the risks and rewards of ownership are also transferred. If cash collateral is advanced or received, securities borrowing and lending activities are recorded at the amount of cash collateral advanced (cash collateral on securities borrowed) or received (cash collateral on securities lent).

The Group monitors the market value of the securities borrowed and lent on a daily basis and provides or requests additional collateral in accordance with the underlying agreements. Fees are recognised on an accrual basis and interest received or paid are recognised on an effective yield basis and recorded as interest income or interest expense.

**h) Trading assets and liabilities**

Trading assets and liabilities include mainly debt and equity securities, derivative instruments and loans. These assets and liabilities are included as part of the trading portfolio based on management's intention to sell the assets or purchase the liabilities in the near term, and are carried at fair value. Transactions with a normal settlement period are recorded on a trade date basis.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction other than an involuntary liquidation or distressed sale. Quoted market prices are used when available to measure fair value. In cases where quoted market prices are not available, fair value is estimated using valuation models consistent with the valuation of derivatives, as discussed in Note 2 i). Where the input parameters cannot be validated using observable market data, adjustments are established for unrealised gains evident at the inception of the contracts so that no gain or loss is recorded at inception. Such adjustments are amortised to income over the life of the instrument or released into income when observable market data becomes available.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****2. Significant Accounting Policies (continued)****i) Derivative financial instruments and hedging**

All freestanding derivative contracts are carried at fair value on the balance sheet regardless of whether these instruments are held for trading or risk management purposes. When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host instrument, the embedded feature will be accounted for separately at fair value with changes in fair value recorded in the income statement, unless, consistent with the provisions of IAS 39, the fair value option is elected (as described in Note 2j below), in which case the entire instrument is to be recorded at fair value with changes in fair value recorded in the income statement. Once separated, the derivative is recorded in the same line on the balance sheet as the host instrument.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity. Changes in realised and unrealised gains and losses and interest flows are included in "Net trading revenues". Derivative contracts designated and qualifying as cash flow hedges or net investment hedges are reported as "Other assets" or "Other liabilities" and hedge accounting is applied.

Fair value recorded for derivative instruments does not indicate future gains or losses, but rather the unrealised gains and losses from valuing all derivatives at a particular point in time. The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for over-the-counter ("OTC") derivatives are determined on the basis of internally developed proprietary models using various input parameters. Where the input parameters cannot be validated using observable market data, adjustments are established for unrealised gains evident at the inception of the contracts so that no gain is recorded at inception. Such adjustments are amortised to income over the life of the instrument or released into income when observable market data becomes available.

Where hedge accounting is applied, the Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk on both a retrospective and prospective basis. The Group discontinues hedge accounting prospectively in circumstances where:

- it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);
- the derivative expires or is sold, terminated, or exercised;
- the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
- the Group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****2. Significant Accounting Policies (continued)*****Cash flow hedge accounting***

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in the statement of changes in equity through "Cash flow hedging reserve". These amounts are reclassified into the income statement when the variable cash flow from the hedged item impacts earnings (e.g. when periodic settlements on a variable rate asset or liability are recorded in the income statement or when the hedged item is disposed of). Hedge ineffectiveness is recorded in "Net trading revenues".

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in equity and be reclassified into the income statement in the same period or periods during which the formerly hedged transaction is reported in the income statement.

When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative will continue to be carried on the balance sheet at its fair value, and gains and losses that were previously recorded in equity will be recognised immediately in the income statement. When the Group discontinues hedge accounting due to any other reason but it is still probable that the forecasted transaction will occur within the original required time period, the derivative will continue to be recorded at its fair value with all subsequent changes in value recorded directly in the income statement. Any gains or losses recorded in equity prior to the date hedge accounting is no longer applied will be reclassified to net income when the forecasted transaction takes place.

***Hedge of a net investment***

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging derivative is recorded in the statement of changes in equity as "Translation reserve" to the extent that the hedge is effective. The change in fair value representing hedge ineffectiveness is transferred to the income statement through "Net trading revenues". The Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in equity, to the extent the hedge is effective.

**D) Financial Instruments designated as held at fair value through profit and loss**

The Group has adopted the EU endorsed Fair Value Option amendment of IAS 39 which allows an entity to designate financial assets and liabilities as held at fair value through profit and loss either at transition to IFRS on 1 January 2005 or at the inception of the trade from that date forward. Financial assets and liabilities are only designated as held at fair value through profit and loss if the instruments contain a substantive embedded derivative, or when doing so results in more relevant information, because either:

- (i) it eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This election is used for instruments that would otherwise be accounted for under an accrual method of accounting where their economic risks are hedged with derivative instruments that require fair value accounting. This election eliminates or significantly reduces the measurement mismatch between accrual accounting and fair value accounting;
- (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel. This election is used for instruments purchased or issued by business units that manage their performance on a fair value basis. For all instruments elected under this criterion, the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis. Additionally, management rely upon the fair value of these instruments in evaluating the performance of the business.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**

**2. Significant Accounting Policies (continued)**

The Fair Value Option has been applied to certain debt instruments, equity securities and other financial instruments and the related assets and liabilities are presented in a separate line on the face of the balance sheet. Once designated this election is irrevocable. All fair value changes related to financial instruments held at fair value through profit and loss are recognised in "Net Trading Revenues".

**k) Derecognition**

The Group enters into transactions where it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises financial liabilities when they are extinguished. Where the Group has a financial liability funded by another entity and the instrument is exchanged for a new instrument with that same entity that is substantially different, or when an existing instrument classified as a financial liability is substantially modified, the old instrument is deemed to be extinguished and a new financial liability is recognised. Any gain or loss due to derecognition of the extinguished instrument is recorded in the income statement.

**l) Loans and receivables**

Loans and receivables are recognised when cash is advanced to borrowers. They are initially recorded at fair value, which is the cash given to originate the loan, and are subsequently carried at amortised cost net of deferred loan origination fees and direct loan origination costs on originated loans. Interest income is accrued on the unpaid principal balance, and net deferred premiums/discounts and fees/costs are amortised on an effective yield basis on the resulting balance for all loans and receivables.

**m) Netting**

The Group only offsets financial assets and liabilities and presents the net amount in the balance sheet where it:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

In many instances the Group's net position on multiple transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements ensure that the net position is settled in the event of default of either counterparty and effectively limit credit risk on gross exposures. However, if the transactions themselves are not intended to be settled net nor will they settle simultaneously, it is not permissible under IAS 32 to offset transactions falling under Master Netting Agreements.

**n) Dividend policy**

Dividends are recognised when declared as a reduction of equity along with the corresponding liability equalling the amount payable.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****2. Significant Accounting Policies (continued)****o) Income taxes**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised in equity. For items initially recognised in equity and subsequently recognised in the income statement, the related income tax initially recognised in equity is also subsequently recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the year and includes any adjustment to tax payable in respect of previous years. Current tax is calculated using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The principal temporary differences arise from the following: pension expense, depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts and other employee compensation and benefits. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities on the balance sheet, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises.

Information as to the calculation of income tax on the profit or loss for the periods presented is included in Note 7.

**p) Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition.

Goodwill is stated at cost less impairment losses.

**q) Property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Long leasehold buildings	50 years
Leasehold improvements	10 years
Computer equipment	2-10 years
Office equipment	5 years

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**

**2. Significant Accounting Policies (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**r) Retirement benefit costs**

The Group has both defined contribution and defined benefit pension plans. The defined benefit plans are group schemes, in which the Company is the sponsoring entity.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

In accordance with the provisions of IAS 19 for defined benefit plans that share risks between various entities under common control, the Company, as the sponsoring entity, accounts for the plan as a defined benefit plan, which includes recording in its financial statements the entire net defined benefit cost to itself and all of its affiliates, who are also covered by the plan.

The Group's expense relating to these plans is accrued over the employees' service periods based upon the actuarially determined cost for the period. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

**s) Long term debt**

Debt issued by the Group is initially measured at cost, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest rate method to amortise cost at inception to the redemption value over the life of the debt.

**t) Contingent liabilities**

Contingent liabilities are not recognised because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability is not recognised as a liability but may only be disclosed.

**u) Provisions**

Provisions are recognised (assuming that a reliable estimate can be made) if they are obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**

**2. Significant Accounting Policies (continued)**

**v) Share-based payments**

The Company has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as at 1 January 2005, of which the corresponding expense was recorded in 2004.

The Company grants shares in its ultimate parent company, CSG, to certain employees. The Company purchases CSG shares from Credit Suisse Equity Based Compensation AG, another Credit Suisse group company, upon settlement and then transfers those shares to its employees.

This arrangement has been classified as a cash-settled share-based payment due to the Company's obligation to settle the liability by the delivery of an asset that is not an equity instrument of the Company. A liability equal to the portion of the services received is recognised at the current market value determined at each balance sheet date. The expense for share-based payments is determined by treating each tranche as a separate grant of share awards unless the employee is eligible for early retirement or retirement before the end of the vesting period, in which case recognition of the expense would be accelerated over the shorter period.

**w) Interest income and expense**

Interest income and expense includes interest income and expense on the Group's financial instruments owned and financial instruments sold not yet purchased, short-term and long-term borrowings, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the Group's trading derivatives (except for hedging relationships), trading instruments and financial instruments classified as at fair value through profit and loss. These are recorded using the effective interest rates of the financial assets or financial liabilities to which they relate in 'Net Trading Revenues'.

**x) Commissions and fees**

Fee revenue is recognised when all of the following criteria have been met: persuasive evidence of an agreement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Commissions and fees earned for investment and portfolio management, customer trading and custody services are recognised at the time or over the period, respectively, that the related service is provided. Revenues from underwriting and fees from mergers and acquisitions and other corporate finance advisory services are recorded at the time when the underlying transactions are substantially completed, as long as there are no other contingencies associated with the fees.

Incremental costs that are directly attributable to securing investment management contracts, are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. These assets are amortised as the entity recognises the related revenue.

**y) Operating leases**

The leases entered into by the Group are exclusively operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any early termination payment required to be made to the lessor is recognised as an expense in the period in which termination takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**3. Critical Accounting Estimates and Judgements in Applying Accounting Policies**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value**

As is the normal practice in the industry, the values the Group reports in the financial statements with respect to financial instruments owned and financial instruments sold but not yet purchased are in most cases based on fair value, with related unrealised and realised gains or losses included in the income statement. Fair value may be objective, as is the case for exchange-traded instruments, for which quoted prices in price-efficient and liquid markets generally exist, or as is the case where a financial instrument's fair value is derived from actively quoted prices or pricing parameters or alternative pricing sources with a reasonable level of price transparency. For financial instruments that trade infrequently and have little price transparency, fair value may be subjective and require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Uncertainty of pricing assumptions and liquidity are features of both derivative and non-derivative transactions. These features have been considered as part of the valuation process. As a result of these uncertainties, the Group does not recognise a dealer profit or unrealised gain at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gain is evidenced by quoted market prices in an active market, observable prices of other current market transactions or other observable data supporting a valuation technique in accordance with IAS 39 'Financial Instruments Recognition and Measurement' AG 76. The principles of IAS 39 'Financial Instruments Recognition and Measurement' AG 76 have been applied to transactions entered into on and after 1 January 2004.

**Litigation contingencies**

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events. From time to time, the Group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting the Group's financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to Income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the Group's defences and its experience in similar cases or proceedings. According to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a provision shall be recognised when (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.



**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**

**3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)**

**Share-based payments**

The Group uses the liability method to account for its share-based compensation plans, which requires the Group's current obligation under these plans to be recorded at estimated fair value. The parameters the Group incorporates into the valuation include both internal expectations of future performance of the Credit Suisse group, which is based on management's assessment of current market conditions, as well as market expectations. In determining the final liability, the Group also estimates the number of forfeitures over the life of the plan based on management's expectations for future periods, which also considers past experience.

**Retirement benefit costs**

The following relates to the assumptions the Company, as sponsor of the defined benefit plan, has made in arriving at the valuations of the various components of the defined benefit plan.

The calculation of the expense and liability associated with the defined benefit pension plans requires the extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases as determined by the Company. Management determines these assumptions based upon currently available market and industry data and historical performance of the plans and their assets. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The Company is required to estimate the expected return on plan assets, which is then used to compute pension cost recorded in the income statement. Estimating future returns on plan assets is particularly subjective since the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns. In calculating pension expense and in determining the expected rate of return, the Company uses the calculated value of assets.

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. In estimating the discount rate, the Company takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows of its benefit payments.

**Allowances and provisions for loan losses**

As a normal part of the Group's business, it is exposed to credit risks through its lending relationships, commitments and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the Group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty's obligation. The Group maintains allowances for loan losses, which it considers adequate to absorb credit losses existing at the balance sheet date. These allowances are for probable credit losses inherent in existing exposures and credit exposures specifically identified as impaired. The inherent loss allowance is for all credit exposures not specifically identified as impaired which, on a portfolio basis, are considered to contain incurred inherent loss. The loan valuation allowance for inherent loss is established by analysing historical and current default probabilities, historical recovery assumptions, and internal risk ratings. The methodology for calculating specific allowances involves judgements at many levels, such as early identification of deteriorating credits. Extensive judgement is required in order to evaluate properly the various indicators of financial condition of a counterparty and likelihood of repayment.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**

**3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)**

**Income taxes**

**Deferred tax valuation**

Deferred tax assets and liabilities are recognised to reflect the estimated amounts of income tax recoverable or payable in future periods in respect of temporary differences and unused carry forward of tax losses and credits. For temporary differences, a deferred tax asset is recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Similarly, a deferred tax asset is recognised on unused carry forward tax losses and credits to the extent that it is probable that future taxable profits will be available against which the unused carry forward tax losses and credits can be utilised.

Periodically, management evaluates the probability that taxable profits will be available against which the deductible temporary differences and unused carry forward tax losses and credits can be utilised. Within this evaluation process, management also considers tax planning strategies. The evaluation process requires significant management judgement, primarily with respect to projecting future taxable profits.

**Tax contingencies**

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The Group accrues for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs requiring a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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## 4. Interest Income and Interest Expense

	Group 2006 US\$M	Group 2005 US\$M
Interest income on cash, cash equivalents and loans	358	299
Securities purchased under resale agreements and securities borrowing transactions	6,434	3,959
Other interest income on cash collateral	84	35
<b>Total interest income</b>	<b>6,876</b>	<b>4,293</b>
Interest expense on deposits	(43)	(21)
Securities sold under repurchase agreements and securities lending transactions	(5,065)	(3,218)
Interest expense on short-term borrowings	(2,708)	(1,804)
Interest expense on long-term debt	(111)	(68)
Other interest expense on cash collateral	(180)	(85)
<b>Total interest expense</b>	<b>(8,107)</b>	<b>(5,196)</b>
<b>Net interest expense</b>	<b>(1,231)</b>	<b>(903)</b>

Interest expense includes US\$2M in 2006 relating to instruments designated at fair value (2005: US\$2M income).

## 5. Non-Interest Revenues and Total Operating Expenses

The following table sets forth the details of commissions and fees:

	Group 2006 US\$M	Group 2005 US\$M
Commissions from lending business:		
Investment and portfolio management fees	1	3
Commissions and fees from fiduciary activities:		
Underwriting fees	473	302
Brokerage fees	1,214	835
Merger and acquisition fees	364	255
Fees for other customer services	41	15
<b>Commission and fee income</b>	<b>2,093</b>	<b>1,411</b>
Commissions from lending business:		
Investment and portfolio management fees	(2)	(1)
Commissions and fees from fiduciary activities:		
Brokerage fees	(121)	(35)
Fees for other customer services	(7)	(3)
<b>Commission and fee expense</b>	<b>(130)</b>	<b>(39)</b>
<b>Net Commissions and fees</b>	<b>1,963</b>	<b>1,372</b>

Other charges of US\$(105)M (2005: US\$(54)M) principally relate to amounts charged to the Group from other Credit Suisse group companies.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

5. Non-Interest Revenues and Total Operating Expenses (continued)

The following table sets forth the details of compensation and benefits:

	Group 2006 US\$M	Group 2005 US\$M
Salaries and bonuses	2,104	1,936
Social security	258	231
Pension cost	68	58
Other	34	50
<b>Compensation and benefits</b>	<b>2,464</b>	<b>2,275</b>

Included in the above table are amounts relating to directors' remuneration. Further details are disclosed in Note 25(d).

The following table sets forth the details of other expenses:

	Group 2006 US\$M	Group 2005 US\$M
Occupancy expenses	168	151
IT and machinery expenses	140	132
Depreciation expenses	10	8
Provisions and losses	(1)	44
Commission expenses	391	306
Travel and entertainment	92	82
Audit fees of the Company	2	2
Professional services	232	214
Other	152	70
Expenses receivable from other Credit Suisse group companies	(521)	(344)
<b>Other expenses</b>	<b>665</b>	<b>665</b>

The Group incurs expenses on behalf of other Credit Suisse group companies under common control. These are subsequently recharged to the relevant companies through 'Expenses receivable from other Credit Suisse group companies'.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

6. Trading Activities

The following table sets forth the details of trading-related revenues:

	Group 2006 US\$M	Group 2005 US\$M
Interest rate products	386	307
Equity/index-related products	874	600
Foreign exchange products	212	91
Other	-	(2)
<b>Trading revenues</b>	<b>1,472</b>	<b>996</b>
Dividend income on trading assets	3,867	2,547
Dividend expense on trading liabilities	(2,687)	(1,653)
<b>Net trading dividend income</b>	<b>1,180</b>	<b>894</b>
<b>Net trading revenues</b>	<b>2,652</b>	<b>1,890</b>

For the year ended 31 December 2006, the impact to the profit or loss relating to financial instruments designated as held at fair value through profit and loss was a loss of US\$9M (2005: US\$2M loss). Included in this total is US\$nil (2005: US\$nil) of fair value changes of financial liabilities due to changes in the Group's own creditworthiness.

Financial instruments at fair value through profit or loss (including trading)

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
<b>Trading assets</b>		
Debt instruments		
Treasury bills	206	614
Government debt instruments	17,832	10,995
Corporate debt instruments	13,344	13,562
Equity instruments	27,131	23,155
Positive replacement values of derivative trading positions	12,821	11,046
<b>Total trading assets</b>	<b>71,334</b>	<b>59,362</b>

Trading assets and other financial assets include US\$39,889M (2005: US\$30,366M) which are encumbered.

	Group 2006 US\$M	Group 2005 US\$M
<b>Financial assets designated at fair value through profit or loss</b>		
Debt instruments		
Structured resale agreements	1,618	790
Life insurance contracts	61	-
Life annuity contracts	378	-
<b>Total financial assets designated at fair value through profit or loss</b>	<b>2,057</b>	<b>790</b>

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 6. Trading Activities (continued)

	Company 2006 US\$M	Company 2005 US\$M
<b>Financial assets designated at fair value through profit or loss</b>		
Debt instruments		
Structured resale agreements	1,618	790
Life insurance contracts	8	-
Life annuity contracts	272	-
<b>Total financial assets designated at fair value through profit or loss</b>	<b>1,898</b>	<b>790</b>

For financial assets designated as at fair value, the maximum fair value exposure to credit risk as at 31 December 2006 is US\$2,057M (Group) and US\$1,898M (Company) (2005: US\$790M (Group and Company)). US\$1,618M (Group and Company) of this value is fully collateralised (2005: US\$790M (Group and Company)). This includes not only changes in fair values but also movement as a result of newly designated financial instruments, disposals and maturities during the year. The movement in fair values of the financial assets designated as at fair value during the period ended 31 December 2006 was a US\$5M (Group and Company) loss in the income statement (2005: US\$5M loss (Group and Company)). The changes in fair value are mainly due to movements in market risk.

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
<b>Trading liabilities</b>		
Debt instruments	(26,856)	(24,019)
Equity instruments	(12,150)	(8,547)
Negative replacement values of derivative trading positions	(13,126)	(13,763)
<b>Total trading liabilities</b>	<b>(52,131)</b>	<b>(46,329)</b>

	Group 2006 US\$M	Group 2005 US\$M
<b>Financial liabilities designated at fair value through profit or loss</b>		
Debt instruments		
Structured repurchase agreements	(4,754)	(284)
Other	(6)	-
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>(4,760)</b>	<b>(284)</b>

	Company 2006 US\$M	Company 2005 US\$M
<b>Financial liabilities designated at fair value through profit or loss</b>		
Debt instruments		
Structured repurchase agreements	(4,754)	(284)
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>(4,754)</b>	<b>(284)</b>

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****6. Trading Activities (continued)**

For financial liabilities designated as at fair value, the maximum fair value exposure as at 31 December 2006 is US\$4,754M (2005: US\$284M), which is fully collateralised. This includes not only changes in fair values but also movements as a result of newly designated financial instruments, disposals and maturities during the year. The movement in fair values of the financial liabilities designated as at fair value during the period ended 31 December 2006 was a US\$4M loss in the income statement (2005: US\$3M gain). The changes in fair value are mainly due to movements in market risk.

The mark to market valuation was calculated using a yield curve which reflected the Company's credit rating in the market and the effect of collateral. This was achieved by adjusting the relevant yield curve at each point in the curve to provide an own credit adjusted valuation.

The financial instruments designated at fair value through the profit and loss were elected because they are managed on a fair value basis.

**7. Income Tax Expense**

	Group 2006 US\$M	Group 2005 US\$M
<b>Current tax</b>		
Current tax on profits of the period	(156)	(14)
Adjustments in respect of previous periods	57	4
<b>Total current tax</b>	<b>(99)</b>	<b>(10)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	133	139
Adjustments in respect of previous periods	(26)	10
<b>Total deferred tax</b>	<b>107</b>	<b>149</b>
<b>Income tax credit</b>	<b>8</b>	<b>139</b>

Current tax of US\$nil (2005: US\$nil) and deferred tax of US\$nil (2005: US\$nil) were credited directly to equity. The total deferred tax credited to equity in 2005 of US\$71M related to amounts on transition from UK GAAP to IFRS. US\$70M arose on non IAS 32/39 items and US\$1M arose on IAS 32/39 items.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 7. Income Tax Expense (continued)

Further information about deferred income tax is presented in Note 11. The following table is a reconciliation of taxes computed at the UK statutory rate of 30% (2005: 30%) to the actual income tax expense:

	Group 2006 US\$M	Group 2005 US\$M
Income tax credit computed at the statutory tax rate	(45)	191
Increase/(decrease) in income tax credit resulting from:		
Other non-deductible expenses	12	(59)
Unrelievable foreign tax	(12)	(7)
Adjustments to current tax in respect of previous periods	57	4
Adjustments to deferred tax in respect of previous periods	(26)	10
Tax effect of utilising tax losses on which no deferred tax was previously recognised	22	-
<b>Income tax credit</b>	<b>8</b>	<b>139</b>

## 8. Securities purchased and sold under resale or repurchase agreements and securities borrowing transactions

The following table summarises the securities borrowed or purchased under agreements to resell, at their respective carrying values:

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Securities purchased under resale agreements and securities borrowing transactions	112,321	93,675
Deposits paid for securities borrowed	81,825	62,322
<b>Total</b>	<b>194,146</b>	<b>155,997</b>

Of which due in more than 1 year

The maximum month-end amount of securities purchased under agreements to resell was US\$213,901M and US\$174,338M in 2006 and 2005 respectively. The average amount of securities purchased under agreements to resell during the year was US\$189,123M and US\$157,064M in 2006 and 2005 respectively.

The following table summarises the securities lent or sold under agreements to repurchase, at their respective carrying values:

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Securities sold under repurchase agreements and securities lending transactions	112,302	103,843
Deposits received for securities lent	38,252	18,716
<b>Total</b>	<b>150,554</b>	<b>122,559</b>

Of which due in more than 1 year



**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****8. Securities purchased and sold under resale agreements and securities borrowing transactions  
(continued)**

Purchase and repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and generally have terms ranging from overnight to payable on demand. The Group monitors the fair value of securities received or delivered. For securities purchased under resale agreements, the Group requests additional securities or the return of a portion of the cash disbursed when appropriate in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested when appropriate in response to an increase in the market value of securities sold under repurchase agreements.

In the event of counterparty default, the financing agreement provides the Group with the right to liquidate the collateral held. In the Group's normal course of business, a substantial portion of the collateral received that may be sold or re-pledged has been sold or re-pledged as at 31 December 2006 and 2005 respectively. Refer to Note 31.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash advanced or received and are collateralised principally by cash or marketable securities. Securities borrowing transactions require the deposit of cash or securities collateral with the lender. For securities lending transactions, the Group receives cash or securities collateral in an amount generally in excess of the market value of securities lent. The Group monitors the market value of securities borrowed and securities lent on a daily basis and obtains additional collateral as necessary.

**Transferred Assets**

The following financial assets have been sold or transferred but continue to be recognised in full or to the extent of the Company's continuing involvement:

<b>Nature of Asset</b>	<b>Group and Company 2006</b>		<b>Group and Company 2005</b>	
	<b>Carrying amount of asset</b>	<b>Associated Liability</b>	<b>Carrying amount of asset</b>	<b>Associated Liability</b>
	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>
Securities lending agreements	12,077	(12,077)	18,624	(16,217)

The assets in the table above continue to be recognised to the extent shown due to transactions which do not qualify for derecognition of the assets from the balance sheet. The Company remains exposed to all the risks and rewards associated with the relevant portions of the retained assets including market risk, settlement risk, credit risk and country risk.

The majority of the retained assets relate to securities lending agreements and repurchase agreements. The resulting credit exposures are controlled by daily monitoring and collateralisation of the positions. Other collateralised securities trading includes transactions in which the Company has transferred assets but continues to have involvement in the transferred assets, for example through providing a guarantee, writing put options, acquiring call options, or entering into a total return swap or other type of swap linked to the performance of the asset. If control is retained due to these types of associated transactions, the Company continues to recognise the transferred asset in its entirety or to the extent of its continuing involvement.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**9. Loans**

For both the Group and Company, loans receivable from foreign, commercial corporations were US\$nil (2005: US\$15M due in more than 1 year). There were no allowances made for loan losses in 2006 (2005: US\$nil).

**10. Other Investments**

The following table summarises details of other investments:

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Non-marketable equity securities	9	9
<b>Total other investments</b>	<b>9</b>	<b>9</b>

This item includes investments in non-marketable exchanges for which the Group has neither significant influence nor control over the investee. The fair value of these investments is disclosed in Note 30.

**11. Deferred Taxes**

Deferred taxes are calculated on all temporary differences under the liability method using an expected tax rate of 30% (2005: 30%).

The movement on the deferred income tax account is as follows:

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
At 1 January	387	168
Arising on non IAS 32/39 items	-	70
Restated balance under IFRS (excluding IAS 32/39)	387	238
Arising on IAS 32/39 items - credited to equity during the period	-	1
Restated opening balance under IFRS (including IAS 32/39)	387	239
Credit to income for the year	107	149
Exchange differences	2	(1)
<b>At 31 December</b>	<b>496</b>	<b>387</b>

See Note 7 for further information on deferred tax charged directly to equity.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 11. Deferred Taxes (continued)

Deferred income tax assets and liabilities are attributable to the following items:

## Deferred tax assets

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Pensions and other post retirement benefits	50	57
Derivative financial instruments	-	1
Share-based compensation	412	304
Other provisions	13	9
Other short term temporary differences	30	27
<b>At end of year</b>	<b>505</b>	<b>398</b>

## Deferred tax liabilities

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Accelerated tax depreciation	(9)	(11)
<b>At end of year</b>	<b>(9)</b>	<b>(11)</b>

The deferred tax charge in the income statement comprises the following temporary differences:

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Pensions and other post-retirement benefits	6	9
Decelerated tax depreciation	(3)	-
Share-based compensation	(108)	(136)
Other provisions	(4)	(3)
Other short term temporary differences	2	(19)
<b>At end of year</b>	<b>(107)</b>	<b>(149)</b>

Deferred tax assets are recognised on deductible temporary differences, tax loss carry and tax credits only to the extent that realisation of the related tax benefit is probable. The Group has no tax losses (2005: US\$86M) to carry forward against future taxable income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relates to the same fiscal authority.

The extent to which deferred tax assets can be recognised is dependent upon the availability of future taxable profits at the time the existing deductible temporary differences reverse. The analysis of the deferred tax assets is shown above. The total amount of deferred tax assets is considered recoverable as the Group is expected to receive the benefit of any reversal of the deductible temporary differences, either against future taxable profits or by surrendering tax losses as group relief. The Group will receive full consideration for any group relief surrendered.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****12. Other Assets**

	Group 2006 US\$M	Group 2005 US\$M
Positive replacement values of derivative instruments (held for hedging purposes)	5	1
Brokerage receivables (Note 13)	35,615	26,979
Interest and fees receivable	2,128	1,343
OTC cash collateral	2,822	1,805
Prepaid expenses	46	36
Other	907	107
<b>Total</b>	<b>41,518</b>	<b>30,271</b>

	Company 2006 US\$M	Company 2005 US\$M
Positive replacement values of derivative instruments (held for hedging purposes)	5	1
Brokerage receivables (Note 13)	35,615	26,979
Interest and fees receivable	2,128	1,343
OTC cash collateral	2,822	1,805
Prepaid expenses	46	36
Other	208	107
<b>Total</b>	<b>40,824</b>	<b>30,271</b>

All Other Assets, other than 'Positive replacement values of derivative instruments', are due within 1 year.

**13. Brokerage Receivables and Brokerage Payables**

The Group recognises receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The Group is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold, in which case the Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent that an exchange or clearing organisation acts as a counterparty to a transaction, credit risk is generally considered to be reduced. The Group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Due from customers	18,682	13,476
Due from banks, brokers and dealers	16,933	13,503
<b>Total brokerage receivables</b>	<b>35,615</b>	<b>26,979</b>

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 13. Brokerage Receivables and Brokerage Payables (continued)

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Due to customers	(10,295)	(6,601)
Due to banks, brokers and dealers	(13,946)	(10,248)
<b>Total brokerage payables</b>	<b>(24,241)</b>	<b>(16,849)</b>

## 14. Investment in subsidiary undertakings

	Company 2006 US\$M	Company 2005 US\$M
Beginning of the year	-	-
Investment in subsidiary undertakings	155	-
<b>End of the year</b>	<b>155</b>	<b>-</b>

## Significant subsidiaries

31 December 2006 % of equity held	Company name	Country of incorporation	Currency
100	Credit Suisse First Boston Nominees Limited	UK	US\$
100	Credit Suisse First Boston Trustees Limited	UK	US\$
100	Credit Suisse First Boston Private Funds Group Limited	UK	US\$
100	Sail Master Trust I	Ireland	US\$
100	Sail Master Trust II	Ireland	US\$

The business of all the subsidiaries is complementary to the business of the Group. Sail Master Trust I and Sail Master Trust II were acquired during 2006.

Copies of accounts of Credit Suisse Investments (UK) and of the ultimate holding company, CSG, which are those of the smallest and largest groups in which the results of the Company are consolidated, are available to the public and may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff and Credit Suisse Group, Paradeplatz, P.O. Box 1, 8070 Zurich, respectively.

## 15. Goodwill

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Opening book amount	6	7
Exchange differences	1	(1)
<b>Closing net book amount</b>	<b>7</b>	<b>6</b>

All goodwill is held by branches of the Company and denominated in Euros. This is translated to US\$ at the balance sheet date.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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## 16. Property, Plant and Equipment

	Group and Company 2006				
	Long Leasehold Land and Buildings US\$M	Leasehold Improvements US\$M	Computer Equipment US\$M	Office Equipment US\$M	Total US\$M
<b>Cost:</b>					
Cost as at 1 January 2006	52	46	10	6	114
Additions	-	29	1	6	36
Disposals	-	(7)	(2)	(1)	(10)
Other movements	-	(2)	3	-	1
Cost as at 31 December 2006	52	66	12	11	141
<b>Depreciation:</b>					
Depreciation as at 1 January 2006	7	30	9	4	50
Charge for the period	1	7	1	1	10
Disposals	-	(6)	(2)	(1)	(9)
Other movements	-	(2)	2	-	-
Depreciation as at 31 December 2006	8	29	10	4	51
<b>Net book value as at 31 December 2006</b>	<b>44</b>	<b>37</b>	<b>2</b>	<b>7</b>	<b>90</b>
<b>Net book value as at 31 December 2005</b>	<b>45</b>	<b>16</b>	<b>1</b>	<b>2</b>	<b>64</b>

Leasehold improvements relate to improvements to land and buildings occupied by the Group and other Credit Suisse group companies.

No interest has been capitalised within Property, Plant and Equipment (2005:US\$nil).

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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## 16. Property, Plant and Equipment (continued)

	Group and Company 2005				
	Long Leasehold Land and Buildings US\$M	Leasehold Improvements US\$M	Computer Equipment US\$M	Office Equipment US\$M	Total US\$M
<b>Cost:</b>					
Cost as at 1 January 2005	52	46	9	8	115
Additions	-	3	1	1	5
Disposals	-	-	-	-	-
Other movements	-	(3)	-	(3)	(6)
Cost as at 31 December 2005	52	46	10	6	114
<b>Depreciation:</b>					
Depreciation as at 1 January 2005	6	24	8	5	43
Charge for the period	1	5	1	1	8
Disposals	-	-	-	-	-
Other movements	-	1	-	(2)	(1)
Depreciation as at 31 December 2005	7	30	9	4	50
<b>Net book value as at 31 December 2005</b>	<b>45</b>	<b>16</b>	<b>1</b>	<b>2</b>	<b>64</b>
<b>Net book value as at 31 December 2004</b>	<b>46</b>	<b>22</b>	<b>1</b>	<b>3</b>	<b>72</b>

## 17. Deposits

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Non-Interest bearing demand deposits		
from banks	414	13
from customers	-	1
Interest-bearing demand deposits		
from banks	202	47
from customers	147	141
Time deposits		
from banks	1,176	840
<b>Total deposits</b>	<b>1,939</b>	<b>1,042</b>

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****17. Deposits (continued)**

As at 31 December 2006, the remaining maturities for time deposits were as follows:

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Up to 1 month	843	741
From 1 month to 3 months	-	54
From 3 months to 1 year	318	-
From 1 year to 5 years	15	45
<b>Total time deposits</b>	<b>1,176</b>	<b>840</b>

Deposits for the Group and Company include US\$702M (2005:US\$253M) due to related parties under common control.

**18. Short Term Borrowings**

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Interest-bearing brokerage borrowings	66,868	55,393
<b>Total short term borrowings</b>	<b>66,868</b>	<b>55,393</b>

As at 31 December 2006, the remaining maturities for short term borrowings of the Group and Company were as follows:

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Up to 1 month	60,314	49,927
From 1 month to 3 months	6,554	5,464
From 3 months to 1 year	-	2
<b>Total short term borrowings deposits</b>	<b>66,868</b>	<b>55,393</b>

Short term borrowings for the Group and Company include US\$66,858M (2005:US\$55,391M) due to related parties under common control.

The short term borrowings reported in the balance sheet of the consolidated SPEs (see note 29) were received from another Group company and therefore eliminate on consolidation.



## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 19. Long Term Debt

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Subordinated debt	2,292	1,674
<b>Total long term debt</b>	<b>2,292</b>	<b>1,674</b>

At 31 December 2006 subordinated debt comprises an amount of US\$2,292M advanced by Credit Suisse First Boston Finance BV, a fellow company under common control, under an agreement dated 22 March 1996, as amended by deed of variation dated 2 July 2001. During the year the Company borrowed a further US\$618M additional subordinated loan capital from Credit Suisse First Boston Finance BV (2005: US\$150M).

Under the terms of the facility the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and FSA. The earliest date at which the lender can request repayment is April 2021.

Interest is payable up to LIBOR plus 85 basis points per annum or at such other rate as may be agreed between the parties. Under the facility, the loan and any interest outstanding thereon is subordinated in right of repayment to all other indebtedness and liabilities of the Company.

## 20. Other Liabilities

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Negative replacement values of derivative instruments (held for hedging purposes)	1	23
Brokerage payables (Note 13)	24,241	16,849
Interest and fees payable	2,172	1,652
OTC cash collateral	4,791	3,266
Compensation accruals	2,178	1,475
Other	244	165
<b>Total Other Liabilities</b>	<b>33,827</b>	<b>23,430</b>

All Other Liabilities, other than 'Negative replacement values of derivative instruments', are due within 1 year.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 21. Provisions

	Group and Company			
	Property US\$m	Litigation US\$m	Total 2006 US\$m	Total 2005 US\$m
Balance at beginning of year	19	49	68	48
Increase in provisions	5	5	10	55
Released or utilised during the year	(4)	(12)	(16)	(33)
Currency translation difference	2	-	2	(2)
<b>Balance at the end of the year</b>	<b>22</b>	<b>42</b>	<b>64</b>	<b>68</b>
<b>Of which due in more than 1 year</b>	<b>8</b>	<b>-</b>	<b>8</b>	<b>9</b>

A significant portion of the property provision relates to reinstatement obligations that will be incurred when the leases expire. Approximately US\$5M of this is expected to be utilised during 2007. A further US\$10M relates to a provision for expected losses on rental costs that will not be recovered from the sub-lessors. US\$6.2m of this is expected to be utilised over the next 3 years.

US\$38M of the litigation provision relates to the estimated liability exposure and legal fees for a case that the Company is defending. It is expected this matter will be settled in 2007. The legal fees have been incurred and will be settled in 2007.

## 22. Called-up Share Capital

## Authorised:

	Group and Company 2006 US\$m	Group and Company 2005 US\$m
<b>Equity</b>		
50,000,000 ordinary voting shares of US\$1 each	50	50
<b>Total authorised share capital</b>	<b>50</b>	<b>50</b>

## Allotted, called up and fully paid:

	Group and Company 2006 US\$m	Group and Company 2005 US\$m
27,300,000 ordinary voting shares of US\$1 each	27	27
Capital contribution	4,496	3,248
<b>Total called-up share capital</b>	<b>4,523</b>	<b>3,275</b>

The holders of ordinary shares carry voting rights and the right to receive dividends.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**23. Stock awards**

The Company's share-based payments, which are an integral part of the Company's annual remuneration process, are an important part of the overall compensation package for key employees and senior executives and are designed to promote employee retention and align employee and shareholder interests. The majority of share-based payments are granted as part of the annual performance incentive bonus granted to employees subsequent to the financial year to which the performance incentive bonus relates. Share-based payments are generally subject to restrictive features such as vesting, forfeiture and blocking rules.

The Company also awarded Performance Incentive Plan units ('PIPs') as part of its long-term incentive program in 2006 and 2005, based upon individuals' performance in 2005 and 2004, respectively. Each PIP unit entitles the holder to receive Credit Suisse Group shares at the end of the five-year vesting period based upon the achievement of defined financial targets and performance relative to a group of peers. Vesting is subject to continued employment with the Group, restrictive covenants and cancellation provisions. Compensation expense for PIPs is adjusted annually based on management's estimate of earnings performance over the five year vesting period.

In January 2007, as part of the 2006 remuneration process, the Group has streamlined its share-based payment programs and will issue one common instrument, Incentive Share Units (ISUs). Previously granted awards will continue to settle under their original terms and are not affected by the ISU award. The ISU award combines features of traditional share grants with a leverage component linked to the development of the Credit Suisse Group share price.

Total compensation expense for stock awards payments recognised during 2006 and 2005 was US\$722M and US\$761M respectively. The total stock award liability recorded as at 31 December 2006 was US\$1,321M (2005: US\$807M), of which the fair value of the liability consists solely of intrinsic value. The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2006 CHF85.45 (2005: CHF67). The average weighted fair value of awards granted in 2006 was CHF73.55 (2005: CHF49.08). The intrinsic value of vested share based awards outstanding as at year end was US\$88M (2005: US\$100M).

Movements in the number of share awards and PIP units outstanding were as follows:

	Group and Company 2006 millions	Group and Company 2005 millions
<b>Stock excluding PIP units</b>		
As at 1 January	8.03	8.48
Granted	4.78	4.77
Delivered	(2.79)	(4.52)
Forfeited	(0.63)	(0.70)
<b>As at 31 December</b>	<b>9.39</b>	<b>8.03</b>
<b>PIP Units</b>		
As at 1 January	2.08	-
Granted	0.86	2.17
Delivered	-	-
Forfeited	(0.05)	(0.09)
<b>As at 31 December</b>	<b>2.89</b>	<b>2.08</b>

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****23. Stock awards (continued)****Share options**

Stock option awards granted in or before January 2003 for service provided in prior years were fully expensed during the year of service. These stock option awards have a service period of one to five years and expire from seven to ten years from the grant date.

Under the Credit Suisse Group Master Share Plan, as of January 2004, options over Credit Suisse Group Registered Shares are only granted to employees located in Italy. The exercise price is the higher of the market value of Credit Suisse Group Registered Shares on date of grant or the average share price of Credit Suisse Group Registered Shares for one month prior to and including the date of grant. Options vest in three equal instalments commencing from the first anniversary of the grant date and are exercisable as they vest; the options have a contractual option term of ten years. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	Group and Company		Group and Company	
	2006		2005	
	In units	Weighted average exercise price	In units	Weighted average exercise price
At 1 January	81,272	CHF 47.98	20,000	CHF 47.75
Granted	16,367	CHF 73.06	62,274	CHF 48.05
Exercised	-	CHF 0.00	-	CHF 0.00
Forfeited	-	CHF 0.00	(1,002)	CHF 47.75
<b>At 31 December</b>	<b>97,639</b>	<b>CHF 52.18</b>	<b>81,272</b>	<b>CHF 47.98</b>

No share options were exercised during 2006. The intrinsic value of vested options outstanding as at year end was US\$1.1M (2005: US\$0.1M).

Share options outstanding at the end of the year were as follows:

	Exercise Price	Group and Company 2006	Group and Company 2005
Jan 2004 Options	CHF47.75	18,998	18,998
Jan 2005 Options	CHF48.05	62,274	62,274
Jan 2006 Options	CHF73.06	16,367	-
		<b>97,639</b>	<b>81,272</b>

The fair value of options granted during the period determined using the Black-Scholes valuation model was US\$9 (2005: US\$8). The significant inputs into the model were share prices of US\$54.98 (2005: US\$39.82) at the grant date, exercise price shown above, standard deviation of expected share price returns of 24.8% (2005: 29%), option life disclosed above, and annual risk free interest rate of 2.4% (2005: 1.9%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years. The 2005 comparative relating to the number of shares outstanding and the Black-Scholes valuation model has been modified to be consistent with the 2006 presentation methodology.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****24. Retirement Benefit Obligations**

The Company has established a number of pension schemes covering substantially all employees. Some of the pension schemes are final salary defined benefit plans and are funded. The assets of the funded plans are held independently of the Company's assets in separate trustee administered funds. A full actuarial valuation is completed by independent actuaries, for these schemes, every three years using the projected unit credit method and updated for each balance sheet date. The Company does not contribute to any other post-retirement defined benefit plans.

The following disclosures contain the balances for the entire defined benefit plan sponsored by the Company, of which the Company is one of many participants, who are all related parties under common control. The Company accounts for the entire plan using defined benefit accounting and its share of the total plan is 75.78%.

All expenses arising from retirement benefit obligations are recorded in the income statement under 'Compensation and benefits'.

**Defined benefit pension and other post-retirement defined benefit plans**

	Defined benefit pension plans	
	Group and	Group and
	Company	Company
	2006	2005
	US\$M	US\$M
Service costs on benefit obligation	6	8
Interest costs on benefit obligation	54	51
Expected return on plan assets	(53)	(51)
Amortisation of:		
prior service cost	-	-
unrecognised losses	4	1
<b>Net periodic pension costs</b>	<b>11</b>	<b>9</b>
Settlement gains	-	-
Curtailment losses/(gains)	-	-
<b>Total pension costs</b>	<b>11</b>	<b>9</b>

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 24. Retirement Benefit Obligations (continued)

The following table shows the changes in the projected benefit obligation and the fair value of plan assets during 2006 and 2005, and the amounts included in the balance sheet for the Company's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2006 and 2005 respectively:

	Defined benefit pension plans	
	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Projected benefit obligation – beginning of the measurement period	1,072	985
Benefit obligation of countries added in current year	-	5
Plan participant contributions	-	-
Service cost	6	8
Interest cost	54	51
Plan amendments	-	-
Settlements	-	-
Curtailments	-	-
Actuarial losses	116	143
Benefit payments	(8)	(8)
Exchange rate losses/(gains)	155	(112)
<b>Projected benefit obligation – end of the measurement period</b>	<b>1,395</b>	<b>1,072</b>
Fair value of plan assets – beginning of the measurement period	804	755
Assets of countries added in current year	-	3
Expected return on plan assets	53	51
Actuarial gains/losses on plan assets	30	80
Actual return on plan assets	83	131
Contributions	9	8
Plan participant contributions	-	-
Benefit payments	(8)	(8)
Exchange rate gains/(losses)	116	(85)
<b>Fair value of plan assets – end of the measurement period</b>	<b>1,003</b>	<b>904</b>
<b>Total amount recognised 31 December</b>		
Funded status of the plan	(392)	(268)
Unrecognised		
Net transition asset	-	-
Prior service cost	-	-
Net actuarial losses	252	167
Exchange rate gains/(losses)	15	(8)
<b>Net amount recognised 31 December</b>	<b>(125)</b>	<b>(109)</b>

In 2007 the Company expects to contribute US\$8.9M to the UK defined benefit pension plans. The Company is currently in discussions with the Pension Fund Trustees in respect of the valuation and funding of the UK defined benefit pension plan. Those discussions are expected to be finalised by 31 March 2007 in line with the requirements set out by the UK Pensions Regulator. The Company has proposed to fund a significant majority of the fund deficit by 2009, including a payment of GBP140M (US\$273M) during 2007.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****24. Retirement Benefit Obligations (continued)**

At 31 December 2006 and 2005 the pension fund plan assets hold no material amounts of Credit Suisse Group debt and equity securities.

Movement in the liability recognised in the balance sheet:

	Group and Company	Group and Company
	2006	2005
	US\$M	US\$M
At 1 January	(109)	(120)
Exchange difference	(14)	12
Total expenses (as above)	(11)	(9)
Contributions paid	9	8
<b>At 31 December</b>	<b>(125)</b>	<b>(109)</b>

**Assumptions**

The weighted average assumptions used in the measurement of the benefit obligation and net periodic pension cost for the international defined pension plans as of the measurement date were as follows:

	Group and Company	Group and Company
31 December in %	2006	2005
<b>Benefit obligations</b>		
Discount rate	5.1	4.7
Salary increases	4.6	4.3
<b>Net periodic pension cost</b>		
Discount rate	4.7	5.5
Salary increases	4.3	4.3
Expected long-term rate of return on plan assets	6.7	7.3

The assumptions for life expectancy in the 2006 benefit obligation calculations are based on the mortality tables PXA92C2006 for current pensioners and PXA92C2026 for non-pensioners with the "medium cohort" adjustment applied. The assumptions are that a member who retires at age 60 will live on average for a further 27 years after retirement if they are male and for a further 30 years after retirement if they are female.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****24. Retirement Benefit Obligations (continued)****Plan assets and investment strategy**

The following table sets forth the weighted average asset allocation of the Group's international defined benefit pension plan assets as at the measurement date:

	Group and Company 2006 %	Group and Company 2005 %
31 December		
Equity securities	68.3	67.7
Debt securities	17.0	18.5
Alternative investments	13.7	13.3
Liquidity	-	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The Company's defined pension plan employs a total return investment approach, whereby a diversified mix of equities, fixed income investments and alternative investments is used to maximise the long term return of plan assets while incurring a prudent level of risk. The intention of this strategy is to outperform plan liabilities over the long run in order to minimise plan expenses. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as hedge funds are used to enhance long term returns while improving portfolio diversification. Derivatives may be used to take market exposure, but are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Company's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

The defined benefit plan weighted average target asset allocation as at the measurement date was:

	Group and Company 2006 %	Group and Company 2005 %
31 December		
Equity securities	68.7	65.7
Debt securities	18.0	19.6
Alternative investments	13.3	14.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>



**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****24. Retirement Benefit Obligations (continued)**

Balances and amounts for the current and previous periods for which the Group prepared IFRS accounts are as follows:

31 December	Group and Company		
	2006	2005	2004
Projected benefit obligation	1,395	1,072	985
Fair value of plan assets	1,003	804	755
Funded status, surplus/(deficit)	(392)	(268)	(230)
Experience (gains)/losses on plan liabilities <sup>1)</sup>	48	(49)	16
Experience gains/(losses) on plan assets	30	80	24

<sup>1)</sup> This item consists of (gains)/losses in respect of liability experience only and excludes any changes in liabilities in respect of changes to the actuarial assumptions used.

**Defined Contribution Pension Plans**

The Company also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2006 and 2005 were US\$59M and US\$49M respectively.

**25. Related Party Transactions**

The Company is wholly owned by Credit Suisse Investment Holdings (UK), incorporated in the UK. The ultimate parent of the Company is Credit Suisse Group, which is incorporated in Switzerland.

The Group is involved in significant financing and other transactions, and has significant related party balances, with subsidiaries and affiliates of Credit Suisse group. The Group generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 25. Related Party Transactions (continued)

## a) Related party assets and liabilities

	Group 2006 US\$M	Group 2005 US\$M
	Fellow Credit Suisse group Companies	Fellow Credit Suisse group Companies
<b>Assets</b>		
Cash and cash equivalents	807	1,913
Interest-bearing deposits with banks	-	652
Securities purchased under resale agreements and securities borrowing transactions	76,343	55,986
Trading assets	4,445	5,122
Other assets	7,326	6,075
<b>Total assets</b>	<b>88,921</b>	<b>69,748</b>
<b>Liabilities</b>		
Deposits	702	253
Securities sold under repurchase agreements and securities lending transactions	35,139	26,996
Trading liabilities	4,296	5,399
Short term borrowings	66,858	55,391
Long term debt	2,292	1,674
Other liabilities	3,674	3,151
<b>Total liabilities</b>	<b>112,961</b>	<b>92,864</b>

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 25. Related Party Transactions (continued)

	Company 2006 US\$M Subsidiary Companies	Company 2006 US\$M Fellow Credit Suisse group Companies	Company 2006 US\$M Total	Company 2005 US\$M Fellow Credit Suisse group Companies
<b>Assets</b>				
Cash and cash equivalents	-	807	807	1,913
Interest-bearing deposits with banks	699		699	652
Securities purchased under resale agreements and securities borrowing	-	76,343	76,343	55,986
Trading assets	-	4,445	4,445	6,122
Other assets	5	7,326	7,331	6,075
<b>Total assets</b>	<b>704</b>	<b>88,921</b>	<b>89,625</b>	<b>69,748</b>
<b>Liabilities</b>				
Deposits	-	702	702	253
Securities sold under repurchase agreements and securities lending transactions	-	35,139	35,139	26,996
Trading liabilities	-	4,296	4,296	5,399
Short term borrowings	-	66,858	66,858	55,391
Long term debt	-	2,292	2,292	1,674
Other liabilities	-	3,674	3,674	3,151
<b>Total liabilities</b>	<b>-</b>	<b>112,961</b>	<b>112,961</b>	<b>92,864</b>

## b) Related party off balance sheet transactions

	Group and Company 2006 US\$M Fellow Credit Suisse group Companies	Group and Company 2005 US\$M Fellow Credit Suisse group Companies
<b>Off balance sheet items</b>		
Guarantees	15,200	3,487
Derivatives notional amounts	311,237	185,288
Receivables for securities purchased under resale agreements and securities borrowing transactions	45,666	34,718
Obligations to return securities sold under resale agreements and securities lending transactions	(82,499)	(66,559)
<b>Total</b>	<b>289,604</b>	<b>156,934</b>

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****25. Related Party Transactions (continued)****c) Related party revenues and expenses**

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
	Fellow Credit Suisse group	Fellow Credit Suisse group
Interest income	2,512	1,562
Interest expense	(4,102)	(2,569)
<b>Net interest income</b>	<b>(1,590)</b>	<b>(1,007)</b>
Net commissions and fees	79	132
Net trading revenues	-	-
Other charges	(105)	(56)
<b>Total non-interest revenues</b>	<b>(26)</b>	<b>76</b>
<b>Total operating expenses</b>	<b>(624)</b>	<b>(626)</b>

**d) Remuneration**

The Credit Suisse Group International Share Plan provides for the grant of equity based awards to employees based on CSG shares pursuant to which employees of the Group may be granted share or other equity-based awards as compensation for services performed. See Note 23 for further information on the Company's share-based compensation.

**Remuneration of Directors**

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Emoluments	11	8
Share based payment compensation	13	9
Compensation for loss of office	-	1
Company contributions to money purchase pension schemes	1	1
	<b>25</b>	<b>19</b>

Under IFRS the aggregate value of compensation provided in the accounts for 2006 for directors was US\$98,064,855 (2005: US\$47,085,783).

Included in the share based payment compensation for directors is US\$430,620 (2005: US\$1,240,028) relating to cash schemes.

The aggregate of emoluments and amounts receivable under share based payment compensation of the highest paid director was US\$6,469,194 (2005: US\$3,439,851). He was a member of a money purchase pension scheme and the contribution paid during the year for the money purchase pension scheme was US\$15,367 (2004: US\$650).

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****25. Related Party Transactions (continued)**

	Group and Company Number of Directors 2006	Group and Company Number of Directors 2005
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	7
Defined benefit schemes	3	1
Both money purchase and defined benefit	1	4
Total	8	12
The number of directors who exercised share options	1	1
Directors in respect of whom services were received or receivable under long term incentive schemes	9	13

**Remuneration of Key Management Personnel**

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Emoluments	37	17
Amounts receivable under long term incentive schemes	252	131
Compensation for loss of office	2	-
	291	148
Group contributions to money purchase pension schemes	1	4
	292	152

Key Management Personnel include Executive Directors, the Europe, Middle East and Africa Investment Banking Committee ('EMEA') of Credit Suisse group and significant management responsible for Designated Investment Business.

Where directors and key management personnel perform services for a number of companies within the Credit Suisse group, the total emoluments payable to each director and key management employees have been apportioned to the respective entities.

**e) Loans and advances to Directors and Key Management Personnel**

There were no loans or advances made to directors or key management personnel during the period (2005: \$nil).

**f) Liabilities due to pension funds**

Liabilities due to own pension funds as at 31 December 2006 and 2005 of US\$19.5M and US\$15.4M respectively are reflected in various liability accounts in the Group's balance sheet.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****26. Employees**

The average number of persons employed during the year was as follows:

	Group and Company 2006 Number	Group and Company 2005 Number
Front office	1,787	1,636
Back office	3,202	3,180
	<b>4,989</b>	<b>4,815</b>

The Group receives a range of administrative services from related companies. The headcount related to these services cannot be accurately ascertained and is not therefore included in the above numbers.

**27. Derivatives and Hedging Activities**

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The Group's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, cross currency and credit default swaps, interest rate and foreign currency options, foreign exchange forward contracts, equity swaps and foreign currency and interest rate futures.

The Group enters into derivative contracts that fall into one of the following categories:

- Trading activities;
- A risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge);
- A hedge of the fair value of a recognised asset or liability;
- A hedge of the variability of cash flows to be received or paid related to a recognised asset or liability or a forecasted transaction; or
- A hedge of a net investment in a foreign operation.

**Trading Activities**

The Group is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Group's derivatives held as at 31 December 2006 were used for trading activities.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****27. Derivatives and Hedging Activities (continued)****Cash Flow Hedges**

The Group uses derivatives to hedge the cash flows associated with forecasted transactions. The maximum length of time over which the Group hedges its exposure to the variability in future cash flows for forecasted transactions is 16 months, with the exception of those forecasted transactions related to the payment of variable interest on existing financial instruments. The following table sets forth details of cash flow hedges:

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Fair value of open derivative transactions used as cash flow hedges	2	(16)

**Net Investment Hedges**

The Group typically uses forward foreign exchange contracts to hedge selected net investments in foreign operations. The objective of these hedging transactions is to protect against adverse movements in foreign exchange rates.

The fair value of open derivative transactions used as net investment hedges for the Group and Company as at 31 December 2006 was an asset of US\$2M (2005: US\$6M liability).

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 27. Derivatives and Hedging Activities (continued)

The following table sets forth details of trading and hedging derivatives instruments:

31 December 2006	Group and Company			Group and Company		
	Trading			Hedging		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Forward rate agreements	4,209	55	34	-	-	-
Swaps	301,777	3,609	3,510	-	-	-
Options bought and sold (OTC)	89,344	649	401	-	-	-
Futures	104,187	-	-	-	-	-
Options bought and sold (traded)	808,249	134	385	-	-	-
<b>Interest rate products</b>	<b>1,307,766</b>	<b>4,447</b>	<b>4,330</b>	-	-	-
Forward rate agreements	182,343	3,080	2,725	511	5	1
Swaps	22,124	1,046	611	-	-	-
Futures	1,037	-	-	-	-	-
Options bought and sold (OTC)	46,822	635	616	-	-	-
<b>Foreign Exchange Products</b>	<b>252,326</b>	<b>4,761</b>	<b>3,952</b>	<b>511</b>	<b>5</b>	<b>1</b>
Forward rate agreements	1,269	20	1	-	-	-
Options bought and sold (OTC)	19,646	24	1,224	-	-	-
Swaps	60,212	2,916	3,486	-	-	-
Futures	5,720	-	-	-	-	-
Options bought and sold (traded)	1,823	564	-	-	-	-
<b>Equity/indexed-related products</b>	<b>88,670</b>	<b>3,524</b>	<b>4,711</b>	-	-	-
Credit Swaps	13,946	89	132	-	-	-
<b>Other products</b>	<b>13,946</b>	<b>89</b>	<b>132</b>	-	-	-
<b>Total derivative instruments</b>	<b>1,662,708</b>	<b>12,821</b>	<b>13,125</b>	<b>511</b>	<b>5</b>	<b>1</b>



## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 27. Derivatives and Hedging Activities (continued)

The following table sets forth details of trading and hedging derivatives instruments:

31 December 2005	Group and Company			Group and Company		
	Trading			Hedging		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Forward rate agreements	2,194	12	23	-	-	-
Swaps	142,266	3,303	2,662	-	-	-
Options bought and sold (OTC)	10,795	25	19	-	-	-
Futures	54,335	-	-	-	-	-
Options bought and sold (traded)	367,580	73	69	-	-	-
<b>Interest rate products</b>	<b>577,170</b>	<b>3,413</b>	<b>2,773</b>	-	-	-
Forward rate agreements	88,587	2,850	2,747	323	1	23
Swaps	19,632	2,097	1,910	-	-	-
Options bought and sold (OTC)	104,399	847	802	-	-	-
<b>Foreign Exchange Products</b>	<b>212,618</b>	<b>5,794</b>	<b>5,459</b>	<b>323</b>	<b>1</b>	<b>23</b>
Forward rate agreements	524	3	3	-	-	-
Options bought and sold (OTC)	237,197	4	769	-	-	-
Swaps	41,209	1,758	4,706	-	-	-
Futures	3,694	-	-	-	-	-
Options bought and sold (traded)	615	-	1	-	-	-
<b>Equity/indexed-related products</b>	<b>283,239</b>	<b>1,765</b>	<b>5,479</b>	-	-	-
Credit Swaps	10,412	74	52	-	-	-
<b>Other products</b>	<b>10,412</b>	<b>74</b>	<b>52</b>	-	-	-
<b>Total derivative instruments</b>	<b>1,083,439</b>	<b>11,046</b>	<b>13,763</b>	<b>323</b>	<b>1</b>	<b>23</b>

	Group and Company		Group and Company	
	2006		2005	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US\$M	US\$M	US\$M	US\$M
Replacement values (trading) before netting	12,821	13,125	11,046	13,763
Replacement values (trading) after netting	12,821	13,125	11,046	13,763

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 27. Derivatives and Hedging Activities (continued)

The following tables set forth details of trading and hedging derivative contracts according to maturity:

	Gross positive replacement value			Group and Company
	Remaining life			2006
	<1 year	1-5 years	>5 years	Total
	US\$M	US\$M	US\$M	US\$M
Interest rate instruments	916	1,415	2,116	4,447
Foreign exchange	2,547	1,470	749	4,766
Equities/indices	2,698	775	51	3,524
Other	5	71	13	89
<b>Total</b>	<b>6,166</b>	<b>3,731</b>	<b>2,929</b>	<b>12,826</b>

	Gross negative replacement value			Group and Company
	Remaining life			2006
	<1 year	1-5 years	>5 years	Total
	US\$M	US\$M	US\$M	US\$M
Interest rate instruments	766	1,286	2,278	4,330
Foreign exchange	2,395	1,122	436	3,953
Equities/indices	3,368	1,291	52	4,711
Other	47	72	13	132
<b>Total</b>	<b>6,576</b>	<b>3,771</b>	<b>2,779</b>	<b>13,126</b>

	Gross positive replacement value			Group and Company
	Remaining life			2005
	<1 year	1-5 years	>5 years	Total
	US\$M	US\$M	US\$M	US\$M
Interest rate instruments	218	1,180	2,017	3,413
Foreign exchange	2,829	2,536	430	5,795
Equities/indices	143	1,601	21	1,765
Other	-	74	-	74
<b>Total</b>	<b>3,188</b>	<b>5,391</b>	<b>2,468</b>	<b>11,047</b>

	Gross negative replacement value			Group and Company
	Remaining life			2005
	<1 year	1-5 years	>5 years	Total
	US\$M	US\$M	US\$M	US\$M
Interest rate instruments	175	1,040	1,558	2,773
Foreign exchange	2,733	2,200	549	5,482
Equities/indices	3,487	1,968	24	5,479
Other	52	-	-	52
<b>Total</b>	<b>6,447</b>	<b>5,208</b>	<b>2,131</b>	<b>13,786</b>

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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## 28. Guarantees and Commitments

The following tables set forth details of contingent liabilities associated with guarantees:

31 December 2006	Group and Company					Total gross amount	Total net amount (1)	Collateral received	Carrying value
	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years					
	US\$M	US\$M	US\$M	US\$M	US\$M				
<b>Total guarantees</b>	<b>12,175</b>	<b>22,281</b>	<b>2,509</b>	<b>4,893</b>	<b>41,858</b>	<b>41,858</b>	-	-	<b>41,858</b>

31 December 2005	Group and Company					Total gross amount	Total net amount (1)	Collateral received	Carrying value
	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years					
	US\$M	US\$M	US\$M	US\$M	US\$M				
<b>Total guarantees</b>	<b>8,423</b>	<b>540</b>	-	<b>30</b>	<b>8,993</b>	<b>8,993</b>	-	-	<b>8,993</b>

(1) total net amount relates to gross amount less any sub-participations.

All of the above notionals relate to derivatives disclosed as guarantees. These are issued in the ordinary course of business, generally in the form of written put options and credit default swaps. For derivative contracts executed with counterparties which generally act as financial intermediaries, such as investment banks, hedge funds and security dealers, the Group has concluded that there is no basis on which to assume that these counterparties hold the underlying instruments related to the derivative contracts, and therefore does not report such contracts as guarantees.

The Group manages its exposure to these derivatives by engaging in various hedging strategies. For some contracts, such as written interest rate caps or foreign exchange options, the maximum payout is not determinable, as interest rates or exchange rates could theoretically rise without limit. For these contracts, notional amounts are disclosed in the table above in order to provide an indication of the underlying exposure. In addition, the Group carries all derivatives at fair value in the balance sheet.

## Commitments

In the ordinary course of business, the Group and Company enter into contractual commitments involving financial instruments with off balance sheet risk. These financial instruments include financial guarantees, interest rate swaps, interest rate caps and floors written, forwards and futures contracts, options contracts written, currency swaps and currency options.

The Company has granted to Morgan Guaranty Trust Company of New York a fixed charge over all American Depository Receipts ('ADR's) held by that company on behalf of the Company, and over all rights, claims and interests in the relevant underlying securities. At 31 December 2006 the Company held ADRs to the value of US\$1,612.6M (2005: US\$703.9M).

The Company has granted to Morgan Guaranty Trust Company of New York, as operator of the Euroclear System, a charge over cash and securities held in the account of the Company at Euroclear. At 31 December 2006 the Company had open trades of US\$774.3M with Euroclear (2005: US\$1,876.4M).

The Company has granted to Morgan Guaranty Trust Company of New York a first fixed charge over all sums standing to the credit of the collateral accounts in the name of the Company together with all rights actual or contingent in respect thereof. At 31 December 2006 the Company held no uncollateralised positions with Euroclear (2005: US\$nil).

The Company has granted to HSBC Bank Plc a first fixed charge over all sums receivable by the Company in respect of any transfer or debit of stock or other securities and a first floating charge over the title and interest in the stock and securities in connection with the provision of CGO Settlement Bank facilities. At 31 December 2006 the Company had no open trades with HSBC Bank Plc (2005: US\$16.7M).

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**28. Guarantees and Commitments (continued)**

The Company has granted a pledge of securities and claims to a syndicate of banks whose lead bank is Citibank. This pledge is for all present and future securities, bonds, notes, certificates of deposits, instruments or rights representing property rights or claims as well as all other debentures which may be pledged in the same form as securities, according to Luxembourg Law. At 31 December 2006 the Company had open trades of US\$3,193.9M with Citibank (2005: US\$2,293.4M).

The Company has granted a first fixed charge to HSBC Bank Plc as Settlement Bank over certain receivables in respect of the Company's membership of CREST, and a first floating charge over all eligible stock and other sums due to the Company against failure of the Company to meet its obligations under the Settlement Bank Facility agreement with HSBC Bank Plc. At 31 December 2006 the Company had open trades of US\$1,114.9M with CREST (2005: US\$519.8M).

The Company has granted to The Bank of New York a charge over all securities held, in the Company's account with Bank of New York, as security for payment and discharge of secured obligations. At 31 December 2006 the Company had no liabilities payable to Bank of New York (2005: US\$nil).

The Company has granted to Emerging Markets Clearing Corporation Assets (EMCC) a charge over all assets and property including all securities and cash on deposit with EMCC as security over any and all obligations and liabilities of the Company to the chargee. No open trades were held by the Company with EMCC at 31 December 2006 (2005: US\$nil).

The Company had underwriting commitments of US\$2,636M at 31 December 2006 (2005: US\$2,371M).

**Lease Commitments**

The following table sets forth details of future minimum operating lease commitments under non-cancellable operating leases:

	Group and Company	Group and Company
	2006	2005
	US\$M	US\$M
Up to 1 year	40	34
From 1 year to 2 years	42	33
From 2 years to 3 years	38	37
From 3 years to 4 years	35	33
From 5 years and over	1,915	1,669
<b>Future operating lease commitments</b>	<b>2,070</b>	<b>1,806</b>
Less minimum non-cancellable sublease rentals	(93)	(88)
<b>Total net future minimum lease commitments</b>	<b>1,977</b>	<b>1,718</b>

The following table sets forth details of rental expenses for all operating leases:

	Group and Company	Group and Company
	2006	2005
	US\$M	US\$M
Minimum rentals	46	41
Sublease rental income	(18)	(12)
<b>Total net rental expenses</b>	<b>28</b>	<b>29</b>

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 28. Guarantees and Commitments (continued)

## Other Commitments

The following table sets forth details of other commitments:

	Group and Company 2006 US\$M	Group and Company 2005 US\$M
Forward reverse repurchase agreements:		
Maturity <1 year	2,288	2,096
<b>Total other commitments</b>	<b>2,288</b>	<b>2,096</b>
<b>Collateral received</b>	-	-

Forward reverse repurchase agreements represent transactions in which the initial cash exchange of the reverse repurchase transaction takes place on a specified future date.

## 29. Securitisations and Special Purpose Entities

The Group is involved in the formation of SPEs primarily for the purpose of providing clients with structured investment opportunities, asset securitisation transactions and for buying or selling credit protection. The Group only consolidates SPEs when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. Consideration is given to the Group's ability to control the activities of the SPE and the Group's exposure to the risks and benefits of the SPE.

The aggregate balance sheet value in relation to consolidated SPEs is shown below.

	2006 US\$M	2005 US\$M
<b>Assets</b>		
Cash and due from banks	10	-
Financial assets designated at fair value through profit or loss	159	-
Other assets	699	-
<b>Total assets</b>	<b>868</b>	<b>-</b>
<b>Liabilities</b>		
Short term borrowings	699	-
Financial liabilities designated at fair value through profit or loss	6	-
Other liabilities	5	-
<b>Total liabilities</b>	<b>710</b>	<b>-</b>
<b>Shareholders' equity</b>		
Called-up share capital	155	-
Retained earnings	3	-
<b>Total shareholders' equity</b>	<b>158</b>	<b>-</b>
<b>Total liabilities and shareholders' equity</b>	<b>868</b>	<b>-</b>

The short term borrowings relate to funds received from the Company. The Company's deposit is reported in 'Interest-bearing deposits with banks'.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2008****30. Fair Value of Financial Instruments**

The following table details the fair value of financial instruments for which it is practicable to estimate that value, whether or not this is reported in the Group's financial statements. All non-financial instruments such as lease transactions, fixed assets and pension and benefit obligations are excluded.

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved, option-pricing models, matrix pricing, option-adjusted spread models, and fundamental analysis. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realised in an immediate sale or settlement of the instrument.

For cash and other liquid assets and money market papers maturing within three months, the fair value is assumed to approximate to book value, given the short term nature of these instruments. For those items with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

For non-impaired loans where quoted market prices are available, the fair value is based on such prices. For variable rate loans which are repriced within three months, the book value is used as a reasonable estimate of fair value. For other non-impaired loans, the fair value is estimated by discounting contractual cash flows using the market interest rates for loans with similar characteristics. For impaired loans, the book value, net of valuation adjustments, approximates to fair value. The securities trading portfolio is carried on the balance sheet at fair value.

The fair values of positive replacement values of derivative instruments, negative replacement values of derivative instruments and financial investments from the banking business are based on quoted market prices. Where these are not available, fair values are based on the quoted market prices of comparable instruments, or are estimated by discounting estimated future cash flows or using other valuation techniques.

For deposit instruments with no stated maturity and those with original maturities of less than three months, the book value is assumed to approximate fair value due to the short term nature of these liabilities. For deposit instruments with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

For medium term notes and bonds, fair values are estimated using quoted market prices or by discounting the remaining contractual cash flows using a rate at which the Group could issue debt with a similar remaining maturity as at the balance sheet date.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006

## 30. Fair Value of Financial Instruments (continued)

	Group		Group	
	2006		2005	
	Book value US\$M	Fair value US\$M	Book Value US\$M	Fair Value US\$M
<b>Financial Assets</b>				
Cash and cash equivalents	4,737	4,737	3,897	3,897
Interest-bearing deposits with banks	20	20	655	655
Securities purchased under resale agreements and securities borrowing transactions	194,146	194,133	155,997	156,023
Trading assets	71,334	71,334	59,362	59,362
Financial assets held at fair value through profit and loss	2,057	2,057	790	790
Loans	-	-	15	15
Other investments	9	9	9	9
<b>Total assets</b>	<b>272,303</b>	<b>272,290</b>	<b>220,725</b>	<b>220,751</b>
<b>Liabilities</b>				
Deposits	1,939	1,939	1,042	1,042
Securities sold under repurchase agreements and securities lending transactions	150,554	150,529	122,559	122,583
Trading liabilities	52,131	52,131	46,329	46,329
Financial liabilities held at fair value through profit and loss	4,760	4,760	284	284
Short term borrowings	66,868	66,868	55,393	55,393
Long term debt	2,292	2,292	1,674	1,674
<b>Total liabilities</b>	<b>278,544</b>	<b>278,519</b>	<b>227,281</b>	<b>227,305</b>

	Company		Company	
	2006		2005	
	Book value US\$M	Fair value US\$M	Book Value US\$M	Fair Value US\$M
<b>Financial Assets</b>				
Cash and cash equivalents	4,727	4,727	3,897	3,897
Interest-bearing deposits with banks	719	719	655	655
Securities purchased under resale agreements and	194,146	194,133	155,997	156,023
Trading assets	71,334	71,334	59,362	59,362
Financial assets held at fair value through profit and loss	1,898	1,898	790	790
Loans	-	-	15	15
Other investments	9	9	9	9
<b>Total assets</b>	<b>272,833</b>	<b>272,820</b>	<b>220,725</b>	<b>220,751</b>
<b>Liabilities</b>				
Deposits	1,939	1,939	1,042	1,042
Securities sold under repurchase agreements and	150,554	150,529	122,559	122,583
Trading liabilities	52,131	52,131	46,329	46,329
Financial liabilities held at fair value through profit and loss	4,754	4,754	284	284
Short term borrowings	66,868	66,868	55,393	55,393
Long term debt	2,292	2,292	1,674	1,674
<b>Total liabilities</b>	<b>278,538</b>	<b>278,513</b>	<b>227,281</b>	<b>227,305</b>

For the year ended 31 December 2006, the amount recognised in the Group and Company profit or loss for financial instruments estimated using a valuation technique and entity specific inputs was a loss of US\$14M (2005: US\$34M gain).

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**31. Assets Pledged or Assigned**

The following table sets forth details of assets pledged or assigned:

	Group and Company	Group and Company
	2006	2005
	US\$M	US\$M
Book value of assets pledged and assigned as collateral	39,889	30,866
of which assets provided with the right to sell or repledge	35,755	25,460
Fair value of collateral received with the right to sell or repledge	266,554	206,720
of which sold or repledged	240,319	184,981

As at 31 December 2006 and 2005, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the Group had been sold or repledged in connection with repurchase agreements, securities sold, not yet purchased, securities borrowings and loans, pledges to clearing organisations, segregation requirement under securities laws and regulations, derivative transactions and bank loans.

UK banking cash reserves, consisting of client money, held by the Group and Company were US\$1,899M as at 31 December 2006 (2005: US\$1,191M). This cash is not reflected on the Balance Sheet of the Group and Company.



## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 32. Financial Instruments Risk Position

##### a. Overview

The Credit Suisse group, of which the Company is a part, manages its risks under global policies. The Credit Suisse group risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with Credit Suisse group's control framework and in consideration of industry best practices. The primary responsibility for risk management lies with Credit Suisse group's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk and reputational risk.

##### Risk management principles

The prudent taking of risk is fundamental to the business of the Credit Suisse group. The primary objectives of risk management are to protect the financial strength and the reputation of the group, while looking to ensure that capital is well deployed to maximise income and shareholder value. The Credit Suisse group's risk management framework is based on the following principles, which apply universally across all businesses and risk types.

- Protection of financial strength: Credit Suisse group controls risk in order to limit the impact of potentially adverse events on Credit Suisse group's capital and income. The Credit Suisse group's risk appetite is to be consistent with its financial resources.
- Protection of reputation: The value of the Credit Suisse group franchise depends on the reputation. Protecting a strong reputation is both fundamental and an overriding concern for all staff members.
- Risk transparency: Risk transparency is essential so that risks are well understood by senior management and members of the CSG Board of Directors and can be balanced against business goals.
- Management accountability: The Group is organised into business segments that own the comprehensive risks assumed through their operations. Management for each segment is responsible for the ongoing management of their respective risk exposures and earning a sufficient long term return for the risks taken.
- Independent oversight: Risk management is a structured process to identify, measure, monitor and report risk. The risk management and legal and compliance functions operate independently of the front office to ensure the integrity of the Group's control processes. The risk management functions are responsible for implementing all relevant risk policies, developing tools to assist senior management to determine risk appetite and assessing the overall risk profile of the Group.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 32. Financial Instruments Risk Position (continued)

##### Risk management oversight

Risk management oversight is performed at several levels of the organisation. Key responsibilities lie with the following management bodies and committees.

##### Risk management oversight at the Credit Suisse group management level

- Credit Suisse Executive Management (Chief Executive Officer and Executive Boards): Responsible for implementing the strategy and actively managing its portfolio of businesses and its risk profile to ensure that risk and return are balanced and appropriate for current market conditions.
- Credit Suisse Chief Risk Officer (CRO): Responsible for establishing an organisational basis to manage all risk management matters of Credit Suisse Group through the four primary risk functions independent from the front office (SRM, RMM, CRM, BORO), as defined below.
- Strategic Risk Management ('SRM'): SRM is responsible for assessing the overall risk profile both on a Credit Suisse group-wide, portfolio level and for individual businesses, and recommending corrective action where necessary.
- Risk Measurement and Management ('RMM'): RMM is responsible for the measurement and reporting of credit risk, market risk, operational risk and economic risk capital data, managing risk limits, and establishing policies on market risk and economic risk capital.
- Credit Risk Management ('CRM'): CRM is headed by the Chief Credit Officer ('CCO') with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business area's credit portfolios and allowances.
- Bank Operational Risk Oversight ('BORO'): BORO is responsible for oversight of the Credit Suisse group's operational risk, including governance and policy aspects, development and reporting of key risk indicators as well as operational risk capital management and allocation.

##### Credit Suisse risk management committees

- Capital Allocation and Risk Management Committee ('CARMC') is responsible for supervising and directing the Credit Suisse group risk profile on a consolidated basis, recommending risk limits to the CSG Board of Directors and its Risk Committee and for establishing and allocating risk limits within Credit Suisse group. CARMC meetings focus on the following three topics on a rotating basis: Asset and Liability Management, Position Risk for Market and Credit Risk, and Operational Risk.
- Risk Processes and Standards Committee ('RPSC') is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters.
- Credit Portfolio & Provisions Review Committee is responsible for reviewing the quality of the credit portfolio, with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances.
- Reputational Risk Review Committee is responsible for setting the policy and reviewing processes regarding reputational risks within Credit Suisse group.
- Divisional Risk Management Committees ('RMC'): Within the investment banking, private banking and asset management segments of Credit Suisse group, the respective divisional RMCs are established to manage risk on a divisional basis.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**32. Financial Instruments Risk Position (continued)****Risk limits**

A sound system of risk limits is fundamental to efficient control of the range of risks inherent in the business activities. The size of the limits reflects Credit Suisse group's risk appetite given the market environment, the business strategy and the financial resources available to absorb losses.

Credit Suisse group uses an Economic Risk Capital ('ERC') limit structure to limit overall position risk-taking. The level of risk incurred by the segments is further restricted by a variety of specific limits. For example, there are consolidated controls over trading exposures (Value at Risk or 'VaR'), the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed money investments, and emerging market country exposures. Risk limits are allocated to lower organisational levels within the businesses. Numerous other limits are established to control specific risks, including a system of individual counterparty credit limits that is used to control concentration risks.

**b. Economic risk capital**

Economic risk capital represents current market best practice for measuring and reporting all quantifiable risks. It is called "economic" risk capital because it measures risk in terms of economic realities rather than regulatory or accounting rules. Credit Suisse group uses ERC as a consistent and comprehensive risk management tool for risk management, capital management and planning and performance measurement.

ERC is calculated separately for position risk, operational risk and expense risk. These three risk categories measure very different types of risk:

- Position risk ERC - the level of unexpected loss in economic value on the portfolio of positions over a one-year horizon that is exceeded with a given, small probability (1% for risk management purposes; 0.03% for capital management purposes).
- Operational risk ERC - the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon that is exceeded with a small probability (0.03%). Estimating this type of ERC is inherently more subjective, and reflects both quantitative tools as well as senior management judgement.
- Expense risk ERC - the difference between expenses and revenues in a severe market event, exclusive of the elements captured by position risk ERC and operational risk ERC.

**c. Market risk****Overview**

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant market parameters, such as market volatilities. The Credit Suisse group defines its market risk as potential changes in fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

Credit Suisse group devotes considerable resources to ensuring that market risk is comprehensively captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from Credit Suisse group down to specific business areas. Credit Suisse group uses market risk measurement and management methods designed to meet or exceed industry standards. These include both general tools capable of calculating comparable exposures across Credit Suisse group's many activities as well as focused tools that can specifically model unique characteristics of certain business areas' functions. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are VaR and scenario analysis. Additionally, the market risk exposures are also reflected in Credit Suisse group's ERC calculations described above in the section entitled Economic Risk Capital. The risk management techniques and policies are regularly reviewed to ensure that they remain appropriate.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****32. Financial Instruments Risk Position (continued)****Value-at-Risk**

VaR measures the potential loss in terms of fair value changes over a given time interval under normal market conditions at a given confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates and prices serve as a basis for the statistical VaR model underlying the potential loss estimation. Credit Suisse group uses a ten-day holding period and a confidence level of 99% calculated using, in general, a rolling two-year history of market data to model the risk in its trading portfolios. These assumptions are in agreement with the standards published by the Basel Committee on Banking Supervision and other related international standards for market risk management. For some purposes, such as backtesting, disclosure and benchmarking with competitors, the resulting VaR figures are scaled down or calculated using one-day holding period values.

The Company has approval from the Financial Services Authority to use its VaR model in the calculation of trading book capital requirements. The Company continues to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

**Assumptions**

Credit Suisse group uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an extreme move methodology is used. The model is based on the profit and loss distribution resulting from the historical changes of market rates applied to evaluate the portfolio using, in general, a rolling two-year history. This methodology also avoids any explicit assumptions on correlation between risk factors. The VaR model uses assumptions and estimates that Credit Suisse group believes are reasonable, but different assumptions or estimates could result in different estimates of VaR.

**Limitations**

VaR as a risk measure quantifies the potential loss on a portfolio under normal market conditions only. It is not intended to cover losses associated with unusually severe market movements (these are intended to be covered by scenario analysis). VaR also assumes that the price data from the recent past can be used to predict future events. If future market conditions differ substantially from past market conditions, then the risk predicted by VaR may be too conservative or too liberal.

**Scenario analysis**

Credit Suisse group regularly performs scenario analysis for all of its business areas exposed to market risk to estimate the potential economic loss that could arise from extreme, but plausible, stress events. The scenario analysis calculations performed are specifically tailored towards their respective risk profile. In addition, to identify areas of risk concentration and potential vulnerability to stress events across Credit Suisse group, it has developed a set of scenarios, which are consistently applied across all business areas. Key scenarios include significant movements in interest rates, equity prices and exchange rates, as well as adverse changes in counterparty default rates. The scenario analysis framework also considers the impact of various scenarios on key capital adequacy measures such as regulatory capital and economic capital ratios. The CSG Board of Directors and senior management are regularly provided with scenario analysis estimates, scenario analysis trend information and supporting explanations to create transparency on key risk exposures and to support senior management in managing risk.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****32. Financial Instruments Risk Position (continued)**Assumptions

Scenario analysis estimates the impact that could arise from extreme, but plausible, stress events by applying predefined scenarios to the relevant portfolios. Scenarios are typically defined in light of past economic or financial market stress periods, but statistical analysis is also used to define the less severe scenarios in the framework.

Limitations

Scenario analysis estimates the loss that could arise if specific events in the economy or in financial markets were to occur. Past events seldom repeat themselves in exactly the same way. Therefore, it is necessary to use business experience to choose a set of meaningful scenarios and to assess the scenario results in light of current economic and market conditions.

Trading portfoliosRisk measurement and management

For the purposes of this disclosure, VaR is used for the trading portfolio, which includes those financial instruments treated as part of the "trading book" for Bank for International Settlements regulatory capital purposes. This classification of assets as trading is done for the purpose of analysing our market risk exposure, not for financial statement purposes.

Development of trading portfolio risks

The table below shows the trading-related market risk exposure for the Company, as measured by scaled one-day, 99% VaR. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

The Company's one-day, 99% VaR at 31 December 2006 was US\$45 million, compared to US\$36 million at 31 December 2005.

Market Risk in Credit Suisse Securities (Europe) Ltd Company Trading Portfolios (1-day, 99% Value at Risk)<sup>1)</sup>

In US\$M	Min.	Max.	Average	29.12.2006	Min.	Max.	Average	30.12.2005
Interest rate & credit spread	11.3	31.7	16.0	18.4	9.2	23.9	15.0	12.1
Foreign exchange	2.2	56.5	9.0	6.9	1.6	11.7	6.2	9.7
Equity	16.7	46.6	26.8	32.8	5.0	21.8	10.9	21.5
Commodity	-	3.6	1.5	0.5	-	1.4	0.2	-
Diversification Benefit	2)	2)	(11.9)	(13.7)	2)	2)	(10.4)	(7.8)
Total	28.4	85.6	41.4	44.9	12.5	36.8	21.9	35.5

1) All figures above represent ten-day VaR scaled to a one-day holding period.

2) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****32. Financial Instruments Risk Position (continued)**VaR results and distribution of trading revenues

Various techniques are used to assess the accuracy of the VaR model used for its trading portfolios, including backtesting. Backtesting of the trading portfolio is performed at various organisational levels, from Credit Suisse group overall down to more specific business areas. The backtesting process compares daily backtesting profit and loss to VaR calculated using a one-day holding period. Backtesting profit and loss is a subset of actual trading revenue and includes only the profit and loss effects due to financial market variables such as interest rates, equity prices, foreign exchange rates and commodity prices on the previous night's positions. It excludes such items as fees, commissions, certain provisions and any trading subsequent to the previous night's positions. It is appropriate to compare this measure with VaR for backtesting purposes, since VaR assesses only the potential change in position value due to overnight movements in financial market variables. An accurate one-day, 99% VaR model should have no more than four backtesting exceptions per year. A backtesting exception occurs when the daily loss exceeds the daily VaR estimate. The Company had three backtesting exceptions in 2006.

**Non-trading portfolios**Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including ERC, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure the aggregated market risks associated with the non-trading portfolios of the Company are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value. It is not a measure for the potential impact on reported earnings, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risks are not included in the following analysis.

Development of non-trading portfolio risks

Interest rate risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 50 basis point decrease in the interest rates of developed nations and a 200 basis point decrease in the interest rates of emerging market nations. The estimated impact for the Company would be an increase of approximately US\$4 million as at 31 December 2006. This impact was immaterial as at 31 December 2005.

Foreign exchange risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% strengthening of the US dollar against developed nation currencies and a 20% strengthening of the US dollar against emerging market nation currencies. The estimated impact for the Company would be a decrease of approximately US\$16 million at 31 December 2006 compared to a decrease in the value of the non-trading portfolio of approximately US\$13 million at 31 December 2005.

The Company does not have material equity or commodity risk in its non-trading portfolio.

**d. Currency Risk**

Currency risk is the risk of loss resulting from changes in exchange rates.

Trading

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company manages its currency risk arising from their trading activities with the Value at Risk (VaR) methodology, a discussion of which is contained in section c) of this Note.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 32. Financial Instruments Risk Position (continued)

##### Non-Trading

The Group's reporting currency is US Dollars but its assets, liabilities, income and expenses are denominated in many currencies. Reported profits or losses are exchanged monthly into US Dollars, reducing volatility in the Group's earnings from subsequent changes in exchange rates.

At 31 December 2006, the largest non-trading currency exposures against the US Dollar were in EUR (long US\$83M) and GBP (short US\$152M). At 31 December 2005, the largest exposures were in EUR (long US\$22M) and GBP (short US\$427M).

##### **e. Credit Risk**

CRM is an independent function headed by the Chief Credit Officer with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the divisional and business areas' credit portfolios. CRM reports to the Chief Risk Officer of the Credit Suisse group.

##### **i) Definition of Credit Risk**

Credit risk is the possibility of loss incurred as a result of a borrower or counterparty failing to meet its financial obligations. In the event of a default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company.

Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivative, foreign exchange and other transactions.

##### **ii) Credit Risk Management Approach**

Effective credit risk management is a structured process to assess, quantify, price, monitor and manage risk on a consistent basis. This requires a careful consideration of proposed extensions of credit, the setting of specific limits, diligent ongoing monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

This credit risk management framework is regularly refined and covers all banking business areas that are exposed to credit risk. The framework is designed to cover all of the credit exposures in the banking business and comprises seven core components:

- an individual counterparty and country rating system;
- a transaction rating system;
- a counterparty credit limit system;
- country and regional concentration limits;
- a risk-based pricing methodology;
- active credit portfolio management; and
- a credit risk provisioning methodology.

Credit committees and senior credit managers make credit decisions on a transaction-by-transaction basis, determined by levels appropriate to the amount and complexity of the transactions, and based on the overall exposures to counterparties and their related entities. These approval authority levels are set out within the governing principles of the Credit Suisse group.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006**32. Financial Instruments Risk Position (continued)**

A system of individual credit limits is used to manage individual counterparty credit risk. Other limits are also established to address concentration issues in the portfolio, including a comprehensive set of country and regional limits and limits for certain products. Credit exposures to individual counterparties or industry segments or product groupings and adherence to the related limits are monitored by credit officers, industry analysts and other relevant specialists. In addition, credit risk is regularly supervised by credit and risk management committees taking current market conditions and trends analysis into consideration. The Credit Suisse group regularly analyses its industry diversification and concentration in selected areas.

A rigorous credit quality review process has been established to provide an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Other key factors considered in the review process include current and projected business and economic conditions, historical experience, regulatory requirements and concentrations of credit volume by industry, country, product and counterparty rating. Regularly updated watch-lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur due to events such as announced mergers, earnings weakness and lawsuits.

The review process culminates in a quarterly determination of the appropriateness of allowances for credit losses. A systematic provisioning methodology is used to identify potential credit risk related losses. Impaired transactions are classified as potential problem exposure, non-performing exposure, or non-interest earning exposure and the exposures are generally managed within credit recovery units. The risk management and credit committees of the Credit Suisse group determine the adequacy of allowances, taking into consideration whether the levels are sufficient for credit losses and whether allowances can be released or if they should be increased.

**Credit Suisse Securities (Europe) Ltd Unsecured Exposure by Counterparty Rating**

	Group and Company 2006		Group and Company 2005	
	US\$M	%	US\$M	%
AAA	2,686	35.4	2,464	35.0
AA+ to AA-	2,606	34.4	2,615	37.1
A+ to A-	2,045	27.0	1,299	18.4
BBB+ to BBB-	140	1.8	395	5.6
BB and below+ to BB-	105	1.4	270	3.9
	<u>7,582</u>		<u>7,043</u>	

The above table includes all unsecured commitments, derivatives, securities purchased and sold under resale and repurchase agreements, and short term cash trades.

**iii) Risk mitigation**

The Group actively manages its credit exposure utilising credit hedges, cash and marketable securities for risk mitigation. "Credit hedges" represent the notional exposure that has been transferred to other market counterparties, generally through the use of credit default swaps.



**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****32. Financial Instruments Risk Position (continued)****f. Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Credit Suisse group's primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, Credit Suisse group transfers operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of the Credit Suisse group's activities and comprises a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also intrinsically difficult to measure. Credit Suisse group therefore manages operational risk differently from market and credit risk. The Credit Suisse group believes that effective management of operational risks requires a common bank-wide framework with ownership residing with the management responsible for the relevant business process. In order to accomplish this, the Credit Suisse group has established a central team within the Chief Risk Officer division that focuses on the coordination of consistent policy, tools and practices throughout Credit Suisse group for the management, measurement, monitoring and reporting of relevant operational risks. This team is also responsible for the overall operational risk framework, measurement methodology and capital calculations. Knowledge and experience are shared throughout the Credit Suisse group to maintain a coordinated approach.

Within the Credit Suisse group, each individual business area and management level takes responsibility for its own operational risks and provides adequate resources and procedures for the management of those risks. In addition, each division takes responsibility for its own operational risks and has a dedicated operational risk function. Operational risk is thus controlled through a network of controls, procedures, reports and responsibilities. In addition to the quarterly firm-level CARMC meetings covering operational risk, regular risk committees meet at the divisional level, where operational risk exposures are discussed, with representation from senior staff in all the relevant functions. Credit Suisse group utilises a number of firm-wide tools for the management, measurement, monitoring and reporting of operational risk. These include: self-assessments; the collection, reporting and analysis of internal and external loss data; and key risk indicator reporting.

Credit Suisse group has employed the same methodology to calculate ERC for operational risk since 2000, and plans to use a similar methodology for the Advanced Measurement Approach under the Basel II Accord. This methodology is based upon the identification of a number of key risk scenarios that describe all of the major operational risks that the Credit Suisse group faces. Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors (for example, self-assessment results, key risk indicators) are considered as part of this process. Based on the output from these meetings, the Credit Suisse group enters the scenario probabilities and severities into an event model that generates a loss distribution. Insurance mitigation is included in the capital assessment where appropriate, by considering the level of insurance coverage for each scenario, incorporating haircuts as appropriate. Based on the loss distribution, the level of capital required to cover operational risk can then be calculated.

## CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 32. Financial Instruments Risk Position (continued)

##### g. Country Risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity, and/or currency markets. Credit Suisse's major operating divisions all assume country risk in a variety of ways. The setting of limits for this risk is the responsibility of CARMC based on recommendations of CRM, SRM and Credit Suisse Group's economists.

Country limits for emerging markets are approved annually by the Board of Directors of CSG, following recommendations from CARMC. The measurement of exposures against country limits is undertaken by RMM with weekly reports to senior management and monthly reports to CARMC. For trading positions, country risk is a function of the mark-to-market exposure and currency of the position, while for loans and related facilities country risk is a function of the amount and currency that Credit Suisse group has lent or committed to lend. The day-to-day management of country exposure is assigned to each of the core businesses in accordance with its business authorizations and limit allocations. RMM and CRM provide independent oversight to ensure that the core businesses operate within their limits. CRM is responsible for periodically adjusting these limits to reflect changing credit fundamentals and business volumes.

##### h. Settlement Risk

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of countervalue from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the Group manages its risk through confirmation and affirmation of transaction details with counterparties. In addition, it also proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. CRM considers these factors in deciding counterparty risk limits.

##### i. Legal Risk

The Group faces significant legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the Group acts as principal; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the Group participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the Group does business; and disputes with its employees. Some of these transactions or disputes result in potential or actual litigation that the Group must incur legal expenses to defend.

The Group is subject to extensive regulation in the conduct of its investment business. A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the Group's business activities or other sanctions. The Group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel. In addition, the Group is an active participant in ISDA and other professional derivative market forums, with specific focus on improving levels of derivative market and product standardisation, legal definition and protocol.

**CREDIT SUISSE SECURITIES (EUROPE) LIMITED GROUP****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2006****32. Financial Instruments Risk Position (continued)****j. Reputational Risk**

Credit Suisse group's policy is to avoid any action or transaction that brings with it a potentially unacceptable level of risk to its reputation. Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk for Credit Suisse group, the relevant business proposal is required to be submitted to Credit Suisse group's Reputational Risk Review Process. This involves a vetting of the proposal by senior business management, and its subsequent referral to one of the Credit Suisse group's Reputational Risk Approvers, each of whom is independent of the business divisions and has authority to approve, reject, or impose conditions on Credit Suisse group's participation.

**k. Liquidity Risk**

The Global Treasury department at Credit Suisse group manages the day-to-day liquidity position of Credit Suisse group. The Group is managed within the framework below.

Liquidity is managed centrally to ensure that sufficient funds are either on-hand or readily available at short notice in the event that it experiences any impairment of its ability to borrow in the unsecured debt markets. This ensures that, even in the event of a liquidity dislocation, Credit Suisse group has sufficient funds to repay maturing liabilities without requiring any balance sheet reduction. Credit Suisse group's liquidity disciplines are segregated into two main funding franchises:

1 Those funds raised directly by Credit Suisse and its branches, with access to stable deposit-based core funds and the interbank markets. The Group has direct access to Credit Suisse group's bank sourced funding and therefore constitutes part of this 'Bank Funding Franchise'.

2 Those funds raised by fellow subsidiaries, particularly Credit Suisse (USA) Inc, the SEC registered US holding company – the 'Non-Bank Funding Franchise'.

Secondary sources of liquidity ensure availability of alternative funding to meet business plans and commercial commitments. Both funding franchises have access to different forms of secondary liquidity through their ability to access secured funding via repurchase and other secured financing markets. These markets have been shown to be reliable even in high stress conditions.

The Global Treasury department also oversees corporate policy with respect to interest rate and foreign exchange exposure, as well as a range of other important policy areas including debt maturity profile, internal and external capitalisation and intercompany funding. Credit Suisse group manages interest rate and foreign currency exposures from a corporate perspective. Trading divisions are authorised to take such risks as part of their business strategies, within limits set by CARMC.

**l. Cash flow and Fair Value Interest Rate Risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Credit Suisse group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The CSG Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

A discussion of the Value at Risk (VaR) methodology used by the Credit Suisse group for managing interest rate risk is provided in section c) of this Note.

## **EXHIBIT C**

**MUTUAL BENEFITS AUCTION**  
**BID CONFIRMATION**

I hereby confirm that Credit Suisse Securities (Europe) Ltd. ("Bidder"), through the undersigned authorized representative of Bidder, submitted a final bid in the amount of \$ 4.6 million for Portfolio # 3, in accordance with the Bidding Procedures and pursuant to the terms of the Asset Purchase Agreement previously provided by counsel to the Receiver (including any modifications thereto which have been agreed to by the Receiver).

Kurt R. Gearhart

(Signature)

Print Name & Title Below:

Kurt Gearhart, Director, Credit Suisse Securities (USA) LLC

**EXHIBIT D**

**MUTUAL BENEFITS AUCTION**

**BID CONFIRMATION**

CREDIT SUISSE SECURITIES (Europe) Limited and Silver Point Capital Fund L.P.  
(collectively, the "Bidders")


I hereby confirm that \_\_\_\_\_ ("Bidder"), through their

undersigned authorized representative of Bidder, submitted a final bid in the amount of  
\$ 16,100,000 for Portfolio #s 1, 2, 3 + 4, in accordance with the Bidding  
~~Procedures and~~ pursuant to the terms of the Asset Purchase Agreement previously  
provided by counsel to the Receiver (including any modifications thereto which have  
been agreed to by the Receiver).

  
(Signature)

Print Name & Title Below:

Sorell

  
(Signature)

Director, Credit Suisse Securities (USA) LLC  
Name + title

OF WHICH, Portfolios 1, 2 + 4 shall be  
allocated to Silver Point Capital  
Fund L.P. and portfolio # 3  
shall be allocated to Credit Suisse  
Securities (Europe) Limited

**EXHIBIT E**



**Raicht, Geoffrey T.**

---

**From:** DAVID ROSENDORF [DLR@kttlaw.com]  
**Sent:** Tuesday, June 26, 2007 11:18 AM  
**To:** Kurt Gearhart  
**Cc:** Caleb Pitters; David Goldman; Matthew Vandack; Peter Shin; Tim Moy; Akhavan, Eli; Raicht, Geoffrey T.; Edwards, Tamre F.  
**Subject:** Re: Bid Deposit (Portfolio #3 - Conforming Bid) (Portfolios #1, 2, 3 and 4 - Non-Conforming Bid)

Kurt -

I've confirmed this morning that we've received an \$385,000 deposit from Credit Suisse, and have also received an additional \$825,000 deposit from Silver Point, which together with the initial deposits already made by each of Silver Point and Credit Suisse would equal 10% of their combined non-conforming bid of \$16,100,000 for all four portfolios. Thank you.

- DLR

---

David L. Rosendorf  
[drosendorf@kttlaw.com](mailto:drosendorf@kttlaw.com)  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce de Leon, 9th Floor  
Miami, Florida 33134  
Phone: 305.372.1800  
Fax: 305.372.3508  
[www.kttlaw.com](http://www.kttlaw.com)

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Thank you.

>>> "Gearhart, Kurt" <kurt.gearhart@credit-suisse.com> 6/25/2007 5:21 PM >>>

David,

On June 18, 2007, Credit Suisse wired a \$100,000 deposit (the "Initial Deposit") into the account maintained by Kozyak Tropin for the MBC receivership (the "Account"). Today, Credit Suisse wired an additional \$385,000 (the "Second Deposit") into the Account. The fed reference number for the wire of the Second Deposit is 7948.

As you are aware, Credit Suisse had the highest conforming bid for Portfolio #3 following last Friday's auction at \$4,600,000 (the "Conforming Successful Bid"). According to the bid procedures, Credit Suisse is obligated to deposit an aggregate amount of 10% of the Conforming Successful Bid (\$460,000) into the Account today. The Second Deposit, together with Credit Suisse's initial deposit of \$100,000 (the "Initial Deposit") exceeds the amount required to be submitted by Credit Suisse.

In addition, Credit Suisse, together with Silver Point had the highest non-conforming bid for Portfolios #1, 2, 3

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and 4 at \$16,100,000 (the "Non-Conforming Successful Bid"). According to your instructions, Silver Point and Credit Suisse are depositing 10% of the Non-Conforming Successful Bid (\$1,610,000) into the Account. We understand that Silver Point previously deposited \$300,000 into the Account for Portfolio's #1, 2 and 4 and today deposited an additional \$825,000 into the Account for an aggregate deposit of 1,125,000 (the "Silver Point Deposit"). The Silver Point Deposit, together with Credit Suisse's Initial Deposit and Second Deposit equals \$1,610,000, or 10% of the Non-Conforming Successful Bid.

Accordingly, we believe that Credit Suisse has deposited sufficient funds for the Conforming Successful Bid and that Credit Suisse and Silver Point have together deposited sufficient funds for the Non-Conforming Successful Bid.

Please confirm that you have received the funds detailed above and that Credit Suisse (with respect to the Conforming Successful Bid) and Credit Suisse and Silver Point (with respect to the Non-Conforming Successful Bid) have made the required deposits to date.

We look forward to closing the sales of the Portfolios as soon as possible.

Regards,  
Kurt

Kurt Gearhart

Director

Credit Suisse Securities (USA) LLC

Eleven Madison Avenue, 5th Floor

New York, New York 10010

Tel: (212) 538-5437 (NY)

Tel: (312) 750-2934 (CHI)

Cell: (773) 623-9782

Fax: (212) 743-4163

Email: kurt.gearhart@credit-suisse.com

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3/19/2008

**EXHIBIT F**

**Raicht, Geoffrey T.**

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**From:** DAVID ROSENDORF [dlr@kttlaw.com]  
**Sent:** Wednesday, June 27, 2007 9:19 PM  
**To:** Caleb Pitters; Kurt Gearhart; Peter Shin; Tim Moy; Raicht, Geoffrey T.  
**Cc:** Roberto Martinez; Curt Miner; Julie Kane; Stephen Fernstrom; Tim Peres  
**Subject:** Mutual Benefits - Auction Results

Caleb, et al. -

First, I want to thank you for Credit Suisse's participation in the auction of the portfolios held by the Receiver. The report of auction was previously provided. To recap, the highest bids submitted in accordance with the Bidding Procedures were as follows:

Group #1 - High Bid: \$3.75MM from Silverpoint  
Backup: \$3.5MM from Fidelity (Gulati)

Group #2 - High Bid: \$5.75MM from Silverpoint  
Backup: \$5.5MM from Castle Bay

Group #3 - High Bid: \$4.6MM from Credit Suisse  
Backup: \$4.5MM from Gross Foundation

Group #4 - High Bid: \$1.5MM from Silverpoint  
Backup: \$1.4MM from Fidelity (Gulati)

In addition, the highest non-conforming bid was submitted by Silverpoint/Credit Suisse in the amount of \$16,100,000 for all 4 portfolios.

The Receiver has determined that he will seek approval of the bids submitted on Groups #1, 2, and 4 as described above. Consistent with the Bidding Procedures, which explained that the Receiver reserved the right to reject any bid that is inadequate or insufficient, not in conformity with the Bidding Procedures, or contrary to the best interests of the Seller, the Receiver is currently rejecting all other bids submitted at the auction.

We would welcome further discussion of proposals for the purchase of Group #3 that are higher and better than the offers received at auction.

Further information on the formal re-solicitation of additional bids on Group #3 will be made available at the time the Receiver makes the determination of how such further bidding will proceed.

In light of the foregoing, the deposit funds received from Credit Suisse will be returned. Please provide appropriate wire instructions.

Thank you.

- David

David L. Rosendorf  
drosendorf@kttlaw.com  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce de Leon, 9th Floor  
Miami, Florida 33134  
Phone: 305.372.1800  
Fax: 305.372.3508  
www.kttlaw.com

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Thank you.

**EXHIBIT G**

**Raicht, Geoffrey T.**

---

**From:** Raicht, Geoffrey T.  
**Sent:** Tuesday, July 10, 2007 4:58 PM  
**To:** Caleb Pitters (caleb.pitters@credit-suisse.com); Kurt Gearhart (kurt.gearhart@credit-suisse.com); tim.moy@credit-suisse.com  
**Subject:** FW: MBC

---

**From:** DAVID ROSENDORF [mailto:DLR@kttlaw.com]  
**Sent:** Tuesday, July 10, 2007 4:57 PM  
**To:** Raicht, Geoffrey T.  
**Subject:** Re: MBC

Geoffrey -

Again, I appreciate your patience. Right now I do not anticipate that the Receiver will be making any decision on sale or remarketing of Portfolio #3 for the next 2-3 weeks. We appreciate Credit Suisse's continued interest and I will follow up with you further as I have more information on how we intend to proceed. Thanks.

- David

---

David L. Rosendorf  
[drosendorf@kttlaw.com](mailto:drosendorf@kttlaw.com)  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce de Leon, 9th Floor  
Miami, Florida 33134  
Phone: 305.372.1800  
Fax: 305.372.3508  
[www.kttlaw.com](http://www.kttlaw.com)

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>>> "Raicht, Geoffrey T." <GRaicht@Sidley.com> 7/10/2007 12:00 PM >>>

David:

As we discussed last week, you are scheduled to meet with the Receiver today to discuss, among other things, how to proceed with Portfolio # 3. As we also discussed last week, my client has travel plans that will take him out of the country tomorrow. I would appreciate if you could call me at the conclusion of your

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meeting to advise of the results and what, if anything, needs to get done in the days ahead. As I'm sure you can understand, my client believes it has exercised enormous patience with this process and, given its time crunch, would appreciate this effort in return on behalf of the Receiver.

Please confirm.

Many thanks in advance.

*Geoffrey T. Raicht, Esq.*  
*Sidley Austin LLP*  
*787 Seventh Avenue*  
*New York, New York 10019*  
*Tel. (212) 839-5448*  
*Fax (212) 839-5599*  
*e-mail graicht@sidley.com*

Sidley Austin LLP mail server made the following annotations on 07/10/07, 10:58

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3/19/2008



**Raicht, Geoffrey T.**

---

**From:** Raicht, Geoffrey T.  
**Sent:** Monday, July 23, 2007 12:12 PM  
**To:** DLR@kttlaw.com  
**Subject:** MBC

David:

Can you give me an update on Credit Suisse's \$4.5 million bid for the \$50 million insurance policy? What is the next step(s) in the process?

Thanks.

*Geoffrey T. Raicht, Esq.*  
*Sidley Austin LLP*  
*787 Seventh Avenue*  
*New York, New York 10019*  
*Tel. (212) 839-5448*  
*Fax (212) 839-5599*  
*e-mail graicht@sidley.com*

## **EXHIBIT H**



SIDLEY AUSTIN LLP  
737 SEVENTH AVENUE  
NEW YORK, NY 10019  
(212) 839 5300  
(212) 839 5599 FAX

grainth@sidley.com  
(212) 839-5448

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July 27, 2007

By: Electronic Mail

David L. Rosendorf, Esq.  
Counsel to Roberto Martínez,  
Court-Appointed Receiver  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce De Leon, 9th Floor  
Coral Gables, FL 33134  
Tel: (305) 372-1800  
Fax: (305) 372-3508  
Email: [drosendorf@kttlaw.com](mailto:drosendorf@kttlaw.com)

Re: **Mutual Benefits Corp., Viatical Services, Inc. and Viatical Benefactors, LLC,  
in Receivership Proceedings Under Case No. 04-60573-CIV-MORENO-  
SIMONTON (S.D. Fla.):**

Dear Mr. Rosendorf:

As you know, we are counsel to Credit Suisse Securities (Europe) Limited ("Credit Suisse"). As you also know, Credit Suisse was the highest bidder at the June 22, 2007, auction (with a fully conforming bid of \$4.6 million) for the Universal Life and Term Plans of Insurance identified as Portfolio #3 ("Portfolio #3") in your solicitation of bids letter, dated May 21, 2007.

By an e-mail dated June 27, 2007, the Receiver determined not to seek approval of Credit Suisse's highest bid for Portfolio #3. Rather, your June 27<sup>th</sup> e-mail stated:

We would welcome further discussion of proposals for the purchase of Group #3 [i.e., Portfolio #3] that are higher and better than the offers received at auction. Further information on the formal re-solicitation of additional bids on Group #3 [i.e., Portfolio #3] will be made available at the time the Receiver makes the determination of how such further bidding will proceed.



David L. Rosendorf  
July 27, 2007  
Page 2

By an e-mail dated July 10, 2007, you advised that the Receiver would not make any "decision on sale or remarketing of portfolio #3 for the next 2-3 weeks." In your e-mail, you also agreed to "follow up with [me] further as [you] have more information on how [the Receiver] intends to proceed."

Having not heard from you, on July 19, 2007, I telephoned you for an update when you advised for the first time that the Receiver was accepting offers on individual policies in Portfolio #3, and that Credit Suisse should promptly make an offer.

Although both surprised and deeply disappointed that you failed to (a) make information available when the Receiver determined how to proceed; and (b) follow up with me when you had more information on what the Receiver intended, Credit Suisse nevertheless made an all-cash bid of \$4.5 million for the \$50 million New York Life Insurance policy contained in Portfolio #3 (the "Policy").

Since that time I have attempted several times to reach you both by telephone and by e-mail to inquire about the status of Credit Suisse's bid, but you have not responded.

Credit Suisse remains interested in purchasing the Policy, but requests that you immediately advise: (a) whether the Receiver is in receipt of bids for the Policy higher or better than Credit Suisse's \$4.5 million bid; (b) what efforts, if any, the Receiver has undertaken to market the Policy; (c) what is the expected time frame that the Receiver will decide on accepting bids; and (d) what procedure will the Receiver undertake to seek approval of any bid on the Policy or on any of the other policies in Portfolio #3.

Needless to say, Credit Suisse welcomes the opportunity to consider submitting a competing bid for any offers on the Policy that exceed its current bid and also expects to receive advance written notice of any request by the Receiver to seek approval of any bid for the Policy not made by Credit Suisse.

Since a timely sale would be in the best interests of all the parties involved, we urge you to provide us with an adequate update as promptly as you can. We look forward to working with you on this transaction. You can contact me or Credit Suisse at:



David L. Rosendorf  
July 27, 2007  
Page 3

Credit Suisse Securities (USA), LLC  
Galeb Pitters, Jr.  
Vice-President, Life Finance Group  
Eleven Madison Avenue, 5<sup>th</sup> Floor  
New York, NY 10010  
Telephone: (212) 325-2343  
Email: [galeb.pitters@credit-suisse.com](mailto:galeb.pitters@credit-suisse.com)

Sidley Austin LLP  
Geoffrey T. Raicht, Esq.  
787 Seventh Avenue  
New York, NY 10019  
Telephone: (212) 839-5448  
Facsimile: (212) 839-5599  
Email: [graicht@sidley.com](mailto:graicht@sidley.com)

Regards,

A handwritten signature in black ink, appearing to read "Geoff T. Raicht", with a long, sweeping horizontal line extending to the right.

## **EXHIBIT I**

**Raicht, Geoffrey T.**

---

**From:** DAVID ROSENDORF [DLR@kttlaw.com]  
**Sent:** Friday, October 19, 2007 6:05 PM  
**To:** Raicht, Geoffrey T.  
**Subject:** RE: MBC

Since we concluded the auction and turned down the highest auction bid, I've made clear to all participants (as well as others) that they should make their best offer on any and all of the policies in Portfolio 3, that the Receiver would consider all bona fide offers, and if an offer was sufficient and was the highest and best offer the Receiver expected to receive, then he would seek approval of that offer (and would also give notice to other participants so they would have the opportunity to be heard).

I'm asking your client to make me their best offer. If they do not make me an offer than they can't complain that I elect to proceed with another.

- David

>>> "Raicht, Geoffrey T." <GRaicht@Sidley.com> 10/18/2007 4:19 PM >>>  
I'm guessing that you are going to go back to your current bidder and see if they will top any bid by Credit Suisse. If they are, you will come back to me and we will continue this non-conforming bid process. If they are unwilling to top CS's bid, the market will have spoken. It seems to me that we can do it the way I suggest or go through a lot of cost by both CS and the Receiver by having to respond to court filings which will ultimately get us to the same place.

What say you?

---

**From:** DAVID ROSENDORF [mailto:DLR@kttlaw.com]  
**Sent:** Thursday, October 18, 2007 4:14 PM  
**To:** Raicht, Geoffrey T.  
**Subject:** RE: MBC

Yes, but what if you were willing to pay significantly more than my highest bid?

>>> "Raicht, Geoffrey T." <GRaicht@Sidley.com> 10/18/2007 4:10 PM >>>  
David-

I'm not sure how you are selling yourself short? If you tell me the amount of the current bid, CS will either exceed it or not make a bid.

---

**From:** DAVID ROSENDORF [mailto:DLR@kttlaw.com]  
**Sent:** Thursday, October 18, 2007 4:08 PM  
**To:** Raicht, Geoffrey T.  
**Subject:** RE: MBC

Geoffrey -

I don't want to sell myself short. Please give me your best numbers on policies your client is interested in and I will tell you if they are in the ballpark. I think I've previously given you the range we were expecting to get on these policies.

- David

3/19/2008

>>> "Raicht, Geoffrey T." <GRaicht@Sidley.com> 10/17/2007 10:59 AM >>>  
David:

Please let me know what the current bids are so Credit Suisse can give you a bid.

Thanks.

---

**From:** Raicht, Geoffrey T.  
**Sent:** Wednesday, October 17, 2007 10:43 AM  
**To:** DAVID ROSENDORF  
**Subject:** RE: MBC

yes, we would like the opportunity to bid. thanks.

---

**From:** DAVID ROSENDORF [mailto:DLR@kttl.com]  
**Sent:** Wednesday, October 17, 2007 10:41 AM  
**To:** Raicht, Geoffrey T.  
**Subject:** RE: MBC

I understand VSI sent you and your client the updated information on the Portfolio 3 policies. We are close to finalizing a contract for several of these policies (including the \$50MM one) but have not quite nailed it down yet. Before we do so does your client want to give me new numbers for all or any of those policies?

- David

>>> "Raicht, Geoffrey T." <GRaicht@Sidley.com> 10/15/2007 10:57 AM >>>  
Any update?

---

**From:** DAVID ROSENDORF [mailto:DLR@kttl.com]  
**Sent:** Tuesday, October 02, 2007 3:20 PM  
**To:** Raicht, Geoffrey T.  
**Subject:** Re: MBC

Geoffrey -

To whom should we direct any new information we have on the Portfolio 3 policies? To you directly or is there someone at your client that should receive it?

- David

---

David L. Rosendorf  
drosendorf@kttl.com  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce de Leon, 9th Floor  
Miami, Florida 33134  
Phone: 305.372.1800  
Fax: 305.372.3508

3/19/2008



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Thank you.

>>> "Raicht, Geoffrey T." <GRaicht@Sidley.com> 9/18/2007 10:57 AM >>>

David:

I left you a voice mail earlier today. Can you please give me an update on your efforts with regard to the \$50 million policy in portfolio # 3? Also, I'd like to be included in any notice you give on the sale of any of the "Keep Policies." In that regard, I'd like to get a little more detail on what Thursday's hearing is about.

Many thanks.

*Geoffrey T. Raicht, Esq.*  
*Sidley Austin LLP*  
*787 Seventh Avenue*  
*New York, New York 10019*  
*Tel. (212) 839-5448*  
*Fax (212) 839-5599*  
*e-mail graicht@sidley.com*

Sidley Austin LLP mail server made the following annotation

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3/19/2008

## **EXHIBIT J**



SIDLEY AUSTIN LLP  
787 SEVENTH AVENUE  
NEW YORK, NY 10019  
(212) 839 5300  
(212) 839 5599 FAX

graicht@sidley.com  
(212) 839-5448

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October 22, 2007

**VIA ELECTRONIC MAIL**

David L. Rosendorf, Esq.  
Counsel to Roberto Martínez,  
Court-Appointed Receiver  
Kozyak Tropin & Throckmorton, P.A.  
2525 Ponce De Leon, 9th Floor  
Coral Gables, FL 33134

**Re: Mutual Benefits Corp., Viatical Services, Inc. and  
Viatical Benefactors, LLC, in Receivership Proceedings  
Under Case No. 04-60573-CIV-MORENO-SIMONTON (S.D. Fla.)**

Dear Mr. Rosendorf:

As you know, we are counsel to Credit Suisse Securities (Europe) Limited ("Credit Suisse"). Pursuant to our e-mail exchanges of last week, we understand that the Receiver plans on making an application to seek court approval of a bid or bids from parties other than Credit Suisse for either the totality of the Universal Life and Term Plans of Insurance identified as Portfolio #3 in your solicitation of bids letter, dated May 21, 2007 ("Portfolio #3"), or parts thereof in the near future. As described in detail below, the purpose of this letter is to ensure that the Receiver is given adequate notice that Credit Suisse plans to make a formal objection to his application because Credit Suisse (a) has not been provided with a fair opportunity to submit a competing bid and (b) is ready, willing and able to fully make all cash offers in a competitive bidding process.

By way of brief background, as you are well aware, Credit Suisse was the highest bidder at the June 22, 2007, auction with a fully conforming bid of \$4.6 million for Portfolio #3.<sup>1</sup> In an e-mail dated June 27, 2007, the Receiver determined not to seek approval of Credit Suisse's highest bid for Portfolio #3. Rather, your June 27th e-mail stated:

Credit Suisse was also the highest non-conforming bidder for Portfolio #3 (as part of a joint bid with Silverpoint Capital) which was made after the bidding on Portfolio #3 was closed for several hours but you nonetheless determined to entertain additional bids.

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David L. Rosendorf  
October 22, 2007  
Page 2

We would welcome further discussion of proposals for the purchase of Group #3 [i.e., Portfolio #3] that are higher and better than the offers received at auction. *Further information on the formal re-solicitation of additional bids on Group #3 [i.e., Portfolio #3] will be made available at the time the Receiver makes the determination of how such further bidding will proceed.* (emphasis added)

However, we have not received notice of a formal re-solicitation for the assets in Portfolio #3. On or about July 19, 2007, you advised by telephone that the Receiver was accepting offers on individual policies in Portfolio #3 and that Credit Suisse should promptly make an offer. That same day, in good faith Credit Suisse made an all-cash bid of \$4.5 million for the most valuable asset in Portfolio #3 – the \$50 million New York Life Insurance policy (the “Policy”).

Between Wednesday October 17th and Friday October 19th, you and I exchanged several e-mails whereby you advised that the Receiver was preparing to accept a bid on several of the policies in Portfolio #3 and asked that Credit Suisse confirm its interest in making competing bids. In response, I affirmed Credit Suisse’s willingness to make a bid(s) and asked to be advised of the current bid on the assets so that Credit Suisse could make a counter offer. However, you declined to provide any information and instead asked Credit Suisse to “make its best offer.” Since three months have elapsed since Credit Suisse made its last offer (\$4.5 million for the Policy), I felt it was reasonable for Credit Suisse to ask for basic information about the current bidding posture (i.e., what is the combination of assets that are subject to bids? what are the current bids?, etc.) As I advised, I disagreed with your justification for such a position – that you may be “selling yourself short” – as I would assume that the Receiver would share Credit Suisse’s counter offer with the current bidder(s) until the highest bid was established. I remain concerned that without this basic information being provided to Credit Suisse, litigation will ensue costing needless additional expense to both Credit Suisse and the creditors of these receivership proceedings.

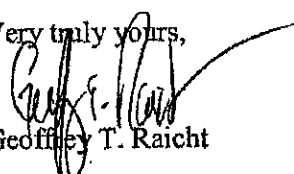
I reiterate both that Credit Suisse is ready, willing and able to make all cash bid(s) for some or all of the assets in Portfolio #3 and my request for the basic information described above that can reasonably inform Credit Suisse so that a counter offer can be made and avoid unnecessary cost and expense to these cases. Credit Suisse does not believe that the Court should be burdened with fielding objections to the sales of these assets for the reasons that are set forth herein. However, if the Receiver is unwilling to do so, Credit Suisse reserves all of its rights to oppose the Receiver’s applications, seek discovery (if necessary) and make one or more all cash bids for some or all of the assets in Portfolio #3.



David L. Rosendorf  
October 22, 2007  
Page 3

If you would like to reconsider your position, please call me at (212) 839-5448.

Very truly yours,

  
Geoffrey T. Raicht

GTR

cc: Roberto Martinez, Court Appointed Receiver  
Tim Moy, Esq.  
Kurt Gearhart, Esq.  
Caleb Pitters

**EXHIBIT K**



**Raicht, Geoffrey T.**

---

**From:** Raicht, Geoffrey T.  
**Sent:** Monday, October 29, 2007 9:19 PM  
**To:** 'dlr@kttlaw.com'  
**Cc:** 'caleb.pitters@credit-suisse.com'; 'kurt.gearhart@credit-suisse.com'; 'tim.moy@credit-suisse.com'  
**Subject:** MBC

David-

In follow-up to my letter of October 22nd, this e-mail shall confirm the voicemail that I left for you this afternoon requesting that you advise whether the Receiver intends to either (a) go forward with an application to seek approval of a bid from a party other than Credit Suisse for some or all of the policies identified as Portfolio # 3 in your solicitation of bids, dated May 21, 2007 or (b) as requested, provide Credit Suisse with the basic information about the current bidding posture (i.e. what is the combination of assets that are subject to bids? What are the current bids on such combinations?) so that Credit Suisse can make an offer.

As I have repeatedly advised, Credit Suisse remains interested in purchasing some or all of the policies in Portfolio # 3, is ready, willing and able to make a bid and seeks an opportunity to do so.

A response to this request would be greatly appreciated.

Geoffrey T. Raicht, Esq.  
Sidley Austin LLP  
787 Seventh Avenue  
New York, New York 10019  
Tel. (212) 839-5448  
Fax (212) 839-5599

**EXHIBIT L**



ANDREW B. HELLINGER  
Ahellinger@h-plegal.com

CORALFE G. PENABAD  
Cpenabad@h-plegal.com

MELISSA S. CHANNING  
Mchanning@h-plegal.com

November 27, 2007

**VIA EMAIL**

David Rosendorf, Esq  
Kozyak Tropin Throckmorton, PA  
2525 Ponce de Leon Blvd., 9<sup>th</sup> Floor  
Coral Gables, Florida 33134

Re: Mutual Benefits Corp., Viatical Services, Inc. and Viatical Benefactors, LLC in  
Receivership Proceedings  
Under Case No.: 04-60573-CIV-MORENO-SIMONTON (S.D. Fla.)  
Our File No.: 6000-1

Dear David:

This letter is in follow-up to our telephone conversation last week regarding the above-captioned matter. As I explained, we are acting as local counsel to Credit Suisse Securities (Europe) Limited ("Credit Suisse") in connection with the above referenced receivership proceedings. Reference is made to the Sidley Austin (counsel to Credit Suisse) letter to you dated October 22, 2007. A copy of Sidley Austin's October 22<sup>nd</sup> letter is annexed hereto.<sup>1</sup>

During our telephone conversation, you indicated that notwithstanding Credit Suisse's prior winning bids for Portfolio # 3 at the June 22<sup>nd</sup> auction and subsequent \$4,500,000 bid for the \$50,000,000 New York Life policy within Portfolio # 3 (the "Jumbo Policy"), the Receiver has decided to conduct a private sale of Portfolio # 3, either in whole or in parts, and is actively negotiating with several interested buyers. In addition, on behalf of the Receiver, you invited Credit Suisse to make another offer for Portfolio # 3, either in whole or in part, and again without disclosing the current structure of the bids or the amounts you have received.

While Credit Suisse maintains its objection to the Receiver's private sale process (discussed further below), as a demonstration of its continued interest in Portfolio # 3, Credit Suisse hereby submits an improved bid of \$5,000,000 for the Jumbo Policy in Portfolio # 3.<sup>2</sup> We request that you promptly advise us in writing whether or not this bid is the highest and best for the asset and, if not, what

<sup>1</sup> During our conversation, you expressed that your view of the facts are consistent with those described in Sidley Austin's October 22<sup>nd</sup> letter.

<sup>2</sup> By submitting this improved bid, Credit Suisse does not waive any objection it may have with respect to the private sale process or any proposed bid that the Receiver seeks Court approval.

235 Altara Avenue  
Coral Gables, Florida 33146  
Telephone: (305) 567-2869 • Facsimile: (305) 447-2294

Mr. Rosendorf  
November 27, 2007  
Page 2

amount it will require for the Receiver to deem Credit Suisse to have submitted the current highest and best offer.

In addition, Credit Suisse again requests that the Receiver conduct an open auction process with respect to Portfolio # 3. Credit Suisse believes that is reasonable to disclose the bids you have received, particularly where a motion must be filed to approve the sale; at which time other bidders can object to both the bid amount and the procedure. The Receiver's use of his reasonable business judgment to sell the assets for the highest and best price will certainly be the subject of that motion and therefore the facts of the bids and the bid procedure will be disclosed. In short, and as we have stated previously, we do not believe that selecting a buyer through an undisclosed bid or private auction is going to achieve the highest and best result for the creditors of these entities.

I look forward to discussing this matter with you further.

Very truly yours,

*Andrew B. Hellinger*

Andrew B. Hellinger, Esq.

ABH|vag

cc: Credit Suisse Securities (Europe) Limited  
Geoffrey T. Raicht, Sidley Austin, LLP

235 Altara Avenue  
Coral Gables, Florida 33146  
Telephone: (305) 567-2869 • Facsimile: (305) 447-2294