

PODCAST PRESENTATION

WHISTLEJACKET RESTRUCTURING

Presenters

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K. Kay Welcome to our podcast on the Whistlejacket restructuring. I'm Kendall Kay with Northern Trust and joining us is Mark Gossett, director of risk management for Northern Trust Global Investments. Mark, can you give our listeners an overview of what has transpired recently with the Whistlejacket restructuring?

M. Gossett I would be happy to. As listeners may recall, the Whistlejacket structured investment vehicle, or SIV, was declared insolvent on February 15, 2008. At that point, a receiver – Deloitte & Touche – was appointed by the bankruptcy court to provide for an orderly settlement of the bankruptcy.

Since that time, the receiver has been exploring settlement options. Along the way, there have been distributions made to the senior creditors of Whistlejacket. Recently, on March 19, 2009, the receiver announced restructuring and portfolio sale agreements to provide further settlement to the senior creditors. In accordance with those agreements, a portion of portfolio securities was sold through an auction process on April 29, 2009.

K. Kay Mark, please tell us more about this auction.

M. Gossett The auction on April 29 represented the next step in the orderly liquidation of the Whistlejacket SIV by the receiver, with the auction proceeds being used to satisfy obligations to the senior creditors of Whistlejacket. Northern Trust Global Investments, as agent for various investment funds, is a senior creditor of Whistlejacket. In a liquidation of this nature, the rights of senior creditors are superior to those of more-junior creditors such as capital noteholders.

I do want to point out that this is a very complex transaction and the restructuring is not done. There are still several complex portions of the restructuring to be completed – which we hope will be resolved by the end of the second quarter.

However, this step in the process was a major one. The auction on April 29 was a sale of the underlying securities of Whistlejacket for those senior creditors who wanted cash within the restructuring.

K. Kay So what exactly happened at this auction?

M. Gossett The receivers at Deloitte & Touche sold 54% of the roughly \$5 billion of securities in the Whistlejacket portfolio at the auction. The average price was 67.1% of face value for securities that included, among other things, bank bonds and mortgage-backed debt.



In advance of the auction, the receiver gave each senior creditor the opportunity to set a floor price above which they would take cash from the auction proceeds and below which they would take restructured securities called pass through notes (PTNs). These PTNs will contain the same underlying securities that Whistlejacket held.

The average price of the securities sold at the auction came in above the floor price set by Northern Trust Global Investments as agent for the investment funds that held Whistlejacket. As such, those funds received cash proceeds from the auction, with settlement occurring on May 7.

K. Kay So is that 67.1% of face value all that the investment funds that held Whistlejacket are going to receive?

M. Gossett That number only represents what will be made available from the securities sold at the auction. As I mentioned earlier, the receiver previously made a distribution. This took place in October 2008.

It also is important to note that there is a fair amount of residual cash in the Whistlejacket portfolio today. This was generated by the securities in the portfolio making interest payments, paying dividends, etc. That residual cash was excluded from the auction and will, at some point, be distributed to the senior creditors after payment of fees and establishment of reserves.

Adding an estimated value of the residual cash to the auction proceeds and the October distribution, we project a total recovery of about 83 cents on the dollar from Whistlejacket.

K. Kay So Mark, how is this going to impact the investment funds that held Whistlejacket?

M. Gossett Actually, investors will see no impact to the NAV of the constant dollar funds that held Whistlejacket. That's because at the time the Whistlejacket SIV was declared insolvent, Northern Trust Corporation entered into capital support agreements (CSAs) in support of the funds holding Whistlejacket. The support provided by Northern Trust is intended to ensure that these funds continue to trade at \$1. Upon the ultimate resolution of the Whistlejacket restructuring, which we expect to occur in June, any required funding from the CSAs will be provided to the funds and those CSAs that provide support for only Whistlejacket will be extinguished.

Two CSAs will remain in place after the restructuring of Whistlejacket. These agreements support Collective STIF and Common STIF and provide support for any impaired securities in these portfolios.

What's important for clients to know is that at the end of the day, Northern Trust has these CSAs in place to support any shortfalls, up to the NAV threshold established in the CSA for each of these constant dollar NAV funds. When required, Northern Trust will make a capital contribution to bring the funds to their NAV thresholds. Again, there's really no change in the valuation of the funds as a result of the most recent Whistlejacket activity. Because Northern Trust has supported these funds, they are trading at a constant dollar NAV.

In conclusion, we now have much greater certainty about the ultimate outcome of the Whistlejacket restructuring and its timing. We hope that investors are comfortable with the fact that Northern Trust has these capital support agreements in place to maintain the constant dollar value of these funds. And we look forward to continuing to help our clients navigate these markets and reaching their investment objectives.

K. Kay Thank you Mark.

M. Gossett It's been my pleasure.

K. Kay That was Mark Gossett, director of risk management for Northern Trust Global Investments, providing an update on the Whistlejacket restructuring that has been in the news recently. To hear future podcasts from Northern Trust, please visit northerntrust.com/podcasts to subscribe.

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