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Orion Finance Issuer Credit And SIV Ratings Lowered To 'D'

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LONDON (Standard & Poor's) Jan. 16, 2008--Standard & Poor's Ratings Services today lowered its issuer credit ratings on Orion Finance Corp. and Orion Finance (USA) LLC (collectively, Orion), co-issuers of the structured investment vehicle (SIV). Standard & Poor's also lowered its ratings on Orion's commercial paper (CP) and medium-term notes (MTNs) (see list).

The downgrades reflect a technical default incurred by Orion for failing to pay CP that had matured Jan. 14, 2008. On Dec. 7, 2007, Standard & Poor's commented that the vehicle had entered into enforcement mode, and that it was up to the senior creditors and the security trustee to determine whether payments would continue on current interest and maturing principal of debt issued by Orion. At that time, Standard & Poor's placed the senior ratings on CreditWatch negative, but maintained the rating at 'AAA/A-1+' because restructuring discussions were under way and the net asset value (NAV) was just below 60. (Note: NAV refers to the asset portfolio's excess value that is available to repay all senior obligations. The SIV managers provide Standard & Poor's with NAV reports, which are calculated based on the marks in the weekly reports that SIV managers receive from third-party pricing sources. An NAV above zero implies a SIV's ability to liquidate its portfolio and repay senior obligors in full. An NAV around 60, therefore, implies the SIV's ability to repay senior investors in full even if the security trustee pursues an asset liquidation.)

On Jan. 14, 2008, The Bank of New York Mellon, as the security trustee, notified Standard & Poor's that Henderson Global Investors Ltd., acting in its

capacity as the security trustee's financial adviser, had advised it that the deposited funds available as of Jan. 14, 2008, were not sufficient to pay the senior obligations coming due on that day.

As a result of that determination, Orion's documentation required that the security trustee determine whether the portfolio could be liquidated to repay all senior obligations in full. Standard & Poor's has been informed that Orion's security trustee concluded that, given the current market conditions, it was likely that a collateral liquidation would not result in the full repayment of senior obligations. Therefore, it is our understanding that the security trustee determined not to liquidate the assets.

Due to the security trustee's decision not to liquidate the assets, the senior obligations that came due Jan. 14, 2008, were not paid. The security trustee then declared an insolvency event, which, under the transaction documents, triggered a mandatory acceleration and resulted in the notes becoming due and payable. The senior creditors must now agree on how they wish to proceed, which, as we have seen with other SIVs and SIV-lites, could lead to protracted restructuring discussions.

Standard & Poor's will review the restructuring plans of each remaining SIV and comment on those proposals, as well as the presence of any triggers in the structures.

Orion joins Axon Financial Funding Ltd., Victoria Finance Ltd., Cheyne Finance PLC, and Rhinebridge LLC as SIVs that are in default and have stopped paying current interest and principal. Eaton Vance Variable Leveraged Fund successfully refinanced. Hudson-Thames Capital Ltd. successfully redeemed its senior obligations after capital investors repaid all senior obligors in exchange for the SIV's assets. Cortland Capital Ltd. and Abacas Investments Ltd. both conservatively invested in short-term or U.S. Treasury assets and are unaffected by the current market conditions. In our view, the SIV failures reflect both the effect of the current markets and the absence of strong sponsorship from well-known financial institutions.

Standard & Poor's believes that Orion, like many SIVs, suffered from its inability to refinance its short-term funding. At this time, it is uncertain whether Eiger Capital Management will be replaced as Orion's manager.

The outstanding amount of Orion's senior debt is approximately \$735 million. The majority of Orion's portfolio is invested in structured finance assets, approximately 10% of which is invested in collateralized debt obligations (CDOs) holding corporate assets, 11% is invested in CDOs holding residential mortgage-backed securities (RMBS) assets, 18% is invested in non-U.S. nonprime RMBS, and 9% is invested in non-U.S. subprime RMBS. In addition, approximately 10% is invested in other U.S. RMBS categories and 6% is invested in financial institutions debt.

More information on this transaction is available on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. Alternatively, call Client Support Europe on (44) 20-7176-7176. Members of the media may contact the Press Office Hotline on (44) 20-7176-3605 or via media_europe@standardandpoors.com. Local media contact numbers are: Paris (33) 1-4420-6657; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017.

RATINGS LOWERED

Orion Finance Issuer Credit And SIV Ratings Lowered To 'D'

Orion Finance Corp. and Orion Finance (USA) LLC
European and U.S. CP and MTN programs

	Rating	
	To	From
Issuer credit rating	D	AAA/Watch Neg
CP	D	A-1+/Watch Neg
MTNs/senior notes	D	AAA/Watch Neg

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