

Fairway Capital Management Corp.
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Andrew Bentley: Good afternoon everyone, Andrew Bentley here with Fairway Capital along with Lawrence Guy with Fairway Capital. On the line from Symphony Asset Management, part of the new V (sp?) family of funds we've got Gunther Stein and Lenny Mason. I'm going to quickly turn things over to Lenny to let him walk through the portfolio; an overview of the senior loan market and where they see the market headed, where they expect to in the portfolio according to those market conditions.

So Lenny and Gunther, I appreciate your time and it's all yours.

Gunther Stein: Thank you. Thank you for everybody for taking your time and we'll touch on, you know, what our views of the current leveraged loan market and to some degree the credit markets. The credit markets have continued to rally over the last few months in particular, and as the senior secured loan market is part of the credit markets, we've seen that rally spill off to the loan market as well. What that's meant is that we've continued to see loans, new loans in particular, being re-priced at tighter spreads and the amount of leverage that's put onto individual companies increase and creep up which we think in the longer term is not necessarily a good thing. But that all being said, you know, in terms of how we're positioning the portfolio is we are positioning the portfolio to be at this point in time, a little bit more conservative in terms of the credit quality in the structures of the loans that we're involved in and we're more focused on the companies and businesses that we have a fairly good feeling of strong collateral coverage. And we're effectively not taking our eye off the ball and moving into newer industries or credit coming into the loan market, which we think it might be today's darling but tomorrow's problem. So, you know, that's our perspective in terms of the loan market. You know, we do as a side, the loan market has continued to benefit from the increase in short term rates over here in the states. That has continued to bring about new incremental demand into the product. In addition to that, there are a number of newer entrants coming into the loan market in terms of purchasing loans. You know, not just large institutional funds, but we're starting to see pension funds and endowments moving into the asset class as well as other types of investors, some of whom we believe are not going to be long term flyers.

So, in short, I guess our view is that we continue to believe in the portfolio. We think that we've put together a strong portfolio that will go ahead and participate in a market that is moving up and will participate clearly from, you know, the spread that is built into the portfolio. But also is one that is built to withstand a more troubling credit environment. Although we feel

fairly comfortable near term with the credit environment, if you look at where interest rates are, you know, the ten year here creeping at 5% over here in the states, commodity prices getting more expensive, oil touching \$70, and gasoline over here in the states over \$3.00. All of these things could point to over time, some level of economic weakness. And as part of that, you know, we feel that we should be prudent in terms of selecting the credits that go into this portfolio, and in particular, focus on the first lean assets of companies and not be second lean assets which a lot of other investors have purchased to go ahead and make up spread. But as we all know, those second lean assets will not work as senior secured loans if there is a downturn or if there is a default. Those second lean loans will act much more like subordinated bonds or high yield debt and as part, as a result of that, their recovery levels will be significantly lower than what you see in a senior secured loan.

So, you know, that's the general perspective of the market and I tried to touch a little bit on the portfolio. I think Lenny might touch on some more specifics in terms of the portfolio as well.

Lenny Mason: Sure. Once again, thanks everyone for joining us on the call. Just to let you know that the portfolio itself has been constructed as Gunther said; with (inaudible) at making sure that we have good assets attached and going into the credit markets. And, you know, the portfolio itself in regards to industrial classification and ratings has not materially changed over the last quarter. What we have been trying to do over the last quarter is also improve the return on the portfolio by purchasing assets that have a little bit of higher coupon, which we still believe to be very well secured in returns of hard asset coverage, and as such, what we've also been trying to do is take some profit out of the portfolio, and - sorry - bring profit into the portfolio by selling some of the assets that we believe are currently priced at premium, is where the premium itself will be lost through either re-pricing or through refinancings.

One thing that you should be aware is that although over the last 90 days, the LIBOR funding has increased from about 4% to 5%. During that same period, you know, most of our facilities are based upon a 90 day or 3 month LIBOR. Therefore, it typically takes anywhere between 45 to 50 days for the spreads of the underlying assets to catch up to the liabilities, which are typically, you know, in the scenario being priced at - changing at a much more rapid rate. So there's always going to be a lag time in looking at our portfolio and looking at the returns in that portfolio if you were state, okay, LIBOR has gone up 100 basis points why hasn't the portfolio gone up 100 basis points. It's usually going to take as I said, because of the three month LIBOR effect and underlying portfolio, anywhere between 45 and I would say, roughly 60 days before you see the noticeable improvement and that whereas our cost of funding will be much more rapid. Therefore, the return will not show the benefit until a little bit of time. Conversely, you know, in a situation where we have a declining LIBOR rate, you know, obviously our - the portfolios will benefit from that.

Andrew?

Andrew Bentley: Great. Thank you, gentlemen. For those callers that are there and have any questions, I encourage you to speak up now. The lines are available and Gunther and Lenny will take any brief questions we have. Any questions at all?

Lenny, Gunther, I very much appreciate your time. I'll follow-up with you two directly on some of those initial issues that we talked about. For those callers, I can be reached at Fairway Capital. My direct line here is (416) 601-2430. My e-mail address is abentley@fairwaycapital.com. And the call is recorded; available for playback for the next month and we will provide a transcript on the website as well. And I look forward to doing this again in five or six months with the focus on the asset management.

Thank you, Gunther, and thank you, Lenny.

Lenny Mason: Thank you.

Andrew Bentley: All right. Have a great weekend.