



Grovt bedrägeri mm i

Optimus Fonder AB (556673-5758)

Falcon Funds SICAV PLC (SV295)

mfl.

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Finansinspektionens utredning del C

Utredning EB-1071-17

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2012-04-23

B E S L U T

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Tillstånd till förvärv av aktier

Finansinspektionens beslut

1. Finansinspektionen avslår Legio Financial Group AB:s, organisationsnummer 556793-3303, ansökan om tillstånd till direkt förvärv av 100 procent av aktierna i Traction Fonder AB, organisationsnummer 556673-5758.
2. Finansinspektionen avslår Axel Ingmansons, personnummer 800203-0115, ansökan om tillstånd till indirekt förvärv av 40 procent av aktierna i Traction Fonder AB, organisationsnummer 556673-5758.
3. Finansinspektionen avslår Anders Svenssons, personnummer 760405-0356, ansökan om tillstånd till indirekt förvärv av 40 procent av aktierna i Traction Fonder AB, organisationsnummer 556673-5758.
4. Finansinspektionen avslår Thomas Cembraeus, personnummer 790206-0255, ansökan om tillstånd till indirekt förvärv av 20 procent av aktierna i Traction Fonder AB, organisationsnummer 556673-5758.

(11 kap. 3 § lagen [2004:46] om investeringsfonder)

Hur man överklagar, se bilaga.

Bakgrund

Legio Financial Group AB (moderbolaget, nedan LFG) inkom den 16 december 2011 med en ansökan om tillstånd till förvärv av samtliga aktier i fondbolaget Traction Fonder AB (fondbolaget). LFG:s verksamhet består huvudsakligen i att äga och förvalta fast och lös egendom och enligt uppgift från LFG omsatte bolaget 7,5 miljoner kronor under 2011. LFG ägs till 40 procent av Axel Ingmanson, till 40 procent av Anders Svensson och till 20 procent av Tomas Cembraeus. Styrelsen i LFG består av Axel Ingmanson, Anders Svensson och Tomas Cem-

braeus. Den 3 april 2012 anmälde LFG att Per Burwall kommer att vara ordförande i bolaget. Utöver det nu förvärvade fondbolaget har LFG tre andra helägda dotterbolag. Moderna Pensionsvalet Norden AB (556764-2912) som bedriver försäkringsförmedling, Likvidia AB (556785-1893) vars huvudsakliga verksamhet är att äga och förvalta fastigheter samt Legio Exchange AB (556779-2303) som bedriver betalningsförmedling. Moderna Pensionsvalet AB och Legio Exchange AB står under Finansinspektionens tillsyn. Inom Finansinspektionen pågår för närvarande en tillsynsundersökning avseende Legio Exchange AB.

Tillämpliga bestämmelser

Enligt 11 kap. 1 § LIF får ett direkt eller indirekt förvärv av aktier i ett fondbolag, som medför att förvärvarens sammanlagda innehav utgör ett kvalificerat innehav, endast ske efter tillstånd från Finansinspektionen.

Av 11 kap. 3 § samma lag, framgår att tillstånd enligt 1 § ska ges om förvärvaren bedöms lämpligt att utöva ett väsentligt inflytande över ledningen av ett fondbolag och att det kan antas att det tilltänkta förvärvet är ekonomiskt sunt. Hänsyn ska tas till förvärvarens sannolika påverkan på fondbolagets verksamhet. Vid bedömningen ska förvärvarens anseende och kapitalstyrka beaktas. Av bestämmelsen framgår vidare att följande omständigheter ska beaktas vid bedömningen.

1. om den som till följd av förvärvet kommer att ingå i styrelsen för företaget eller vara verkställande direktör i detta företag, eller vara ersättare för någon av dem, har tillräcklig insikt och erfarenhet för att delta i ledningen av företaget och även i övrigt är lämplig för en sådan uppgift,
2. om det finns skäl att anta att förvärvaren kommer att motverka att företagets rörelse drivs på ett sätt som är förenligt med den aktuella lagen och andra författningar som reglerar företagets verksamhet, och
3. om det finns skäl att anta att förvärvet har samband med eller kan öka risken för
 - a) penningtvätt enligt 1 kap. 5 § 6 lagen (2009:62) om åtgärder mot penningtvätt och finansiering av terrorism, eller
 - b) brott enligt 2 § 2, 3 § eller 4 § lagen (2002:444) om straff för finansiering av särskilt allvarlig brottslighet i vissa fall, såvitt avser brott enligt 2 § lagen (2003:148) om straff för terroristbrott.

Finansinspektionens bedömning

Finansiella företag är, förutom den rent associationsrättsliga regleringen, även föremål för omfattande näringsrättslig reglering. Reglerna om ägar- och ledningsprövning är exempel på sådan reglering. Allmänt sett syftar den näringsrättsliga regleringen i detta fall till att värna effektivitet och stabilitet i det finan-

siella systemet, medan konsumentskyddet är avgörande när det gäller sparande i fonder. Ägarprövningen omfattar samtliga fysiska och juridiska personer som har ett kvalificerat innehav i bolaget. Som ett led i ägarprövningen prövas även ägarbolagets ledning, dvs. styrelseledamöter, suppleanter och den verkställande direktören. Fondbolag ska driva sin verksamhet så att allmänhetens förtroende för fondmarknaden upprätthålls och enskilda kapitalinsatser inte otillbörligen äventyras samt i övrigt så att verksamheten kan anses sund. Prövningen av fondbolagets ledning samt ägare och ägarbolags ledning ska säkerställa att de som har ett väsentligt inflytande över bolaget kan uppfylla dessa krav.

Reglerna för ägarprövning av fondbolag ändrades den 1 augusti 2011. I prop. 2010/11:135 s. 224 ff. hänvisas i allt väsentligt till vad som anfördes när reglerna ändrades för andra företag under Finansinspektionens tillsyn (prop. 2008/2009:155).

Av prop. 2008/09:155 s. 87 framgår följande. Inom ramen för bedömningen av förvärvarens anseende kan vägas in de faktorer som anges som direkt diskvalificerande enligt befintliga regler, dvs. att förvärvaren i väsentlig utsträckning har åsidosatt sina skyldigheter i näringsverksamhet eller i andra ekonomiska angelägenheter eller gjort sig skyldig till allvarlig brottslighet. Exempel på detta kan vara att ägaren dömts för ekonomiska brott, eller varit föremål för konkursförfarande. Begreppet "anseende" bör dock kunna tolkas vidare än så, och t.ex. avse även en bedömning av förvärvarens laglydighet, erfarenhet och omdöme i övrigt.

Fondbolaget har inkommit med en separat ledningsprövning avseende nya ledamöter. Finansinspektionen har inom ramen för detta ärende inte prövat de nya ledamöterna i fondbolaget.

Prövning av ägarna

Finansinspektionen ska pröva den juridiska person, LFG, som i och med förvärvet blir ägare av samtliga aktier i fondbolaget. Som ovan nämnts äger Axel Ingmanson (Ingmanson), Anders Svensson (Svensson) och Tomas Cembraeus (Cembraeus) tillsammans samtliga aktier LFG. De ska därför prövas som indirekta ägare i fondbolaget. Dessa tre personer är också styrelseledamöter i LFG och ska därmed även prövas i den rollen. Som styrelseordförande i LFG har Per Burwall anmälts. Han omfattas därmed också av Finansinspektionens prövning.

Finansinspektionens har efter prövning i ovan nämnda hänseenden inte något att erinra mot Per Burwall.

När det gäller bedömningen av Ingmanson och Svensson har Finansinspektionens utredning visat att de under perioden oktober 2009 – juli 2010 har ingått i styrelser för tre bolag, vilka samtliga har försatts i konkurs inom sex månader efter att Ingmanson och Svensson trätt ur bolagen. För två av konkurserna har Finansinspektionen begärt att LFG skulle lämna de förvaltarberättelser som konkursförvaltarna har upprättat, men av LFG fått beskedet att förvaltarberättelserna

ännu inte var färdigställda. Finansinspektionen har dock efter kontakt med konkursförvaltarna erhållit förvaltarberättelserna.

I en av konkurserna (Highspeed Communication AB) framgår av förvaltarberättelsen att det inte funnits någon bokföring i bolaget för den tid som Ingmanson och Svensson ingått i styrelsen. I bolaget fanns vid konkurstillfället cirka 80 anställda. Enligt förvaltarberättelsen anställdes under den period som Ingmanson och Svensson satt i styrelsen cirka trettio personer i bolaget genom visstidsanställningar. Konkursförvaltaren misstänkte att dessa var skenanställningar för att orättmätigt erhålla lönegaranti och meddelade därför lönegarantibeslut endast för 52 anställda. På grund av den saknade bokföringen har konkursförvaltaren haft svårigheter att bedöma obeståndstidpunkten, men uppskattat att den bör ha uppstått under den tid som Ingmanson och Svensson ingick i styrelsen. Det har inte upprättats någon kontrollbalansräkning i bolaget. Konkursförvaltaren har bedömt att en sådan skyldighet funnits redan innan den tidpunkt som Ingmanson och Svensson tillträdde bolaget. Bolaget försattes i konkurs drygt en månad efter att Ingmanson och Svensson lämnat bolaget.

I det andra konkursbolaget (Vendo Callcenter Scandinavia AB) framgår av förvaltarberättelsen att Ingmanson och Svensson har varit ledamot respektive suppleant i styrelsen under en tidsperiod om drygt sex månader när omfattande penningöverföringar gjorts (i vart fall cirka 8,4 miljoner kronor) till ett fåtal återkommande bolag som bland andra har varit Legio Exchange AB (LEX) och Premium Bemanning AB. Ingmanson och Svensson var vid tiden för överföringarna styrelseledamöter i LEX. De var också styrelseledamöter i Premium Bemanning AB under en del av tiden då överföringar skedde. Ett förlikningsavtal har därefter träffats mellan konkursboet å ena sidan och LEX, Ingmanson och Svensson å den andra sidan, om återvinning av 600 000 kronor av det som förts över till LEX. Initialt var konkursförvaltarens krav cirka 2,6 miljoner kronor. Bolaget försattes i konkurs ungefär tre månader efter att Ingemanson och Svensson lämnat bolaget.

För det tredje bolaget som försatts i konkurs (Mur & Puts i Stockholm AB) framgår av förvaltarberättelsen att konkursförvaltaren, i avsaknad av bokföring, har baserat sin uppskattning av obeståndstillfället på en granskning av obetalda leverantörsfakturor och dragit slutsatsen att obeståndet bör ha inträtt under den tid då Ingmanson och Svensson ingick i styrelsen. Någon kontrollbalansräkning har inte upprättats. Ett köpeavtal rörande Mur & Puts i Stockholm AB indikerar att det fanns bokföring i bolaget när bolaget såldes, vilket sammanfaller med den tidpunkt när Ingmanson och Svensson trädde ur styrelsen. Bolaget försattes i konkurs sex månader efter att Ingmanson och Svensson lämnat bolaget.

Därutöver har Ingmanson under perioden juni 2006 – januari 2009 förekommit i styrelsen för bolaget CD Marketing AB. Bolaget försattes i konkurs i juli 2009. Av förvaltarberättelsen framgår att bolaget har varit upptaget på Svensk Handels s.k. varningslista över oseriösa företag. Vidare anger förvaltarberättelsen att något bokföringsmaterial inte fanns vid konkurstillfället, men konkursförvaltaren uppskattade obeståndstidpunkten till senast i mitten av januari 2009. Den sista

årsredovisning som upprättats för bolaget avsåg år 2007 och innehöll en oren revisionsberättelse.

LFG har uppgett att LEX verksamhet under 2009 och 2010 bestod av att förmedla och sälja aktiebolag, dock kom verksamheten att renodlas under 2010 till att omfatta den verksamhet som bolaget bedriver idag. Som förklaring till att både Ingmanson och Svensson har haft ett flertal styrelseuppdrag har LFG uppgett att de trädde in i styrelserna för att säkerställa en fullständig kontroll av bolagen så att ingen otillåten verksamhet bedrevs av tidigare ägare innan bolagen såldes vidare.

LFG har getts möjlighet att kommentera de uppgifter som framgår av förvaltarberättelserna. LFG uppger i sina svar att Ingmanson och Svensson inte har suttit i de olika bolagen vid konkurstillfällena och att de därmed inte har haft någon insyn i respektive bolags förvaltning och skötsel efter att de har frånträtt sina uppdrag. Samtliga bolag har enligt LFG varit välskötta under den tid Ingmanson och Svensson har deltagit i förvaltningen och obestånd har inträffat efter att de har lämnat bolagen. LFG har även påpekat att det återvinningsanspråk som konkursförvaltaren framställde mot Ingemansson och LEX resulterade i en förlikning på ett avsevärt lägre belopp än vad som från början framställdes, vilket enligt deras uppfattning talar för att fordran egentligen saknade grund.

Av ärendet framgår att Ingmanson och Svensson under en kort tidsperiod har varit ledamöter och suppleanter i ett flertal bolag som en tid senare försatts i konkurs. Det har bland annat visat sig att det i vissa av konkurserna har saknats bokföring och att obeståndstidpunkten sannolikt inträffat under den tid Ingmanson och Svensson var verksamma i bolaget. En kontrollbalansräkning har inte upprättats trots att sådan skyldighet bör ha förelegat enligt förvaltarberättelsen för Highspeed Communication Sweden AB i konkurs. I en av konkurserna har överföring av medel skett till närstående bolag, vilket senare resulterat i en återvinning. Ett av bolagen har varit upptagna på Svensk Handels s.k. varningslista och för det bolaget upprättades även en oren revisionsberättelse för den tid när Ingemanson var verksam i bolaget. Dessa uppgifter ger sammantaget Finansinspektionen skäl att tvivla på Ingmansons och Svenssons omdöme och lämplighet i övrigt, vilket ger anledning att ifrågasätta deras anseende. Avseende den förlikning som LEX, Ingmanson och Svensson ingick med förvaltaren konstaterar Finansinspektionen att det kan finnas olika skäl till varför man väljer att ingå en förlikning. Finansinspektionen gör i detta ärende inte någon bedömning av vilka överväganden som har gjorts eller vilka skäl respektive part kan ha haft att ingå förlikningen, utan konstaterar att det i konkursen avseende Vendo Callcenter Scandinavia AB har gjorts en återvinning till konkursboet om sammanlagt 600 000 kronor från LEX, Ingmanson och Svensson.

Pågående undersökning av LEX

LEX är, som tidigare nämnts ett helägt dotterbolag till LFG, som bedriver betalningsförmedling och står under Finansinspektionens tillsyn. Ingmanson och Svensson är styrelseledamöter i LEX medan Cembraeus är styrelseordförande. Inom Finansinspektionen pågår för närvarande en undersökning av LEX. I den

undersökningen har Finansinspektionen bland annat ifrågasatt om LEX uppfyller de krav som lagen (2010:751) om betaltjänster ställer på åtgärder för att skydda betaltjänstanvändares medel. Finansinspektionen har också ifrågasatt om LEX har tillräckliga rutiner för riskbedömning av kunder, kundkännedom, granskning och rapportering samt utbildning och skydd av anställda, som ställs enligt lagen (2009:62) om åtgärder mot penningtvätt och finansiering av terrorism. Finansinspektionen har inom ramen för undersökningen genomfört ett platsbesök hos LEX. LEX har i undersökningen framhållit att regelverket på flera punkter är oklart och att man, så snart man fått kännedom om Finansinspektionens synpunkter, har vidtagit rättelse.

LFG har i detta ärende getts tillfälle att kommentera de iakttagelser som Finansinspektionen har gjort i undersökningen av LEX. LFG har därvid framhållit att LEX har vidtagit rättelse och att någon sanktion inte har meddelats LEX på grund av de iakttagelser som Finansinspektionen har gjort. Vidare har LFG anfört att de eventuella brister som Finansinspektionen har iakttagit i LEX:s verksamhet är inte slutligt utredda och klarlagda ännu. Således bör, enligt LFG:s uppfattning, de iakttagelser som Finansinspektionen gjort i undersökningen av LEX, inte ligga LFG till last i denna ägarprövning.

De tre personer som prövas i detta ärende (Ingmanson, Svensson och Cembraeus), äger indirekt samtliga aktier i och utgör styrelsen för LEX. Även om undersökningen av LEX fortfarande pågår, kan Finansinspektionen inte bortse från de iakttagelser som har gjorts inom ramen för den undersökningen. Iakttagelserna bör därför tas med i bedömningen av dessa personers lämplighet att utöva ett väsentligt inflytande över ett fondbolag. I undersökningen av LEX har Finansinspektionen iakttagit ett flertal brister och därmed ifrågasatt om LEX uppfyller ett antal för betalningsförmedling centrala regler. I en ägarprövning ska en helhetsbedömning göras av samtliga omständigheter som kan anses påverka den prövades anseende. Det som framkommit i undersökningen av LEX medför att Finansinspektionen tvivlar på om Ingmanson, Svensson och Cembraeus besitter tillräckligt omdöme och erforderlig kompetens för att vara lämpliga att utöva ett väsentligt inflytande över ett fondbolag. Ovanstående affärsbeteende ger därmed Finansinspektionen skäl att ifrågasätta Ingmansons, Svenssons och Cembraeus anseende.

Finansinspektionens slutsatser

Enbart det förhållandet att en person vid något tillfälle har varit verksam i ett bolag som senare gått i konkurs, antingen under tiden personen i fråga satt i bolaget eller kort tid efteråt, behöver i sig inte vara grund för att anse personen ifråga som olämplig. Om det däremot framkommer försvårande omständigheter i en konkurs eller att en person förekommer vid ett flertal tillfällen i bolag som senare gått i konkurs, kan det finnas skäl att ifrågasätta personens anseende. Så är fallet i nu aktuellt ärende. Även om LFG har förklarat att Ingmanson och Svensson under en tid deltog i verksamhet som gick ut på att köpa och sälja aktiebolag, och under tiden gå in i respektive bolags styrelse, innebär inte det att Finans-

inspektionen kan bortse från de faktiska omständigheter som har skett eller de iakttagelser som konkursförvaltaren har gjort och som framkommer av de olika förvaltarberättelserna. Inte heller kan Finansinspektionen bortse från de iakttagelser som har gjorts i den pågående undersökning avseende LEX, i vilket Ingmanson, Svensson och Cembraeus är verksamma. Skyddsbehovet på det finansiella området är stort, vilket innebär att den allmänna principen om näringsfrihet i viss mån måste ge vika. Syftet med reglerna är att upprätthålla allmänhetens förtroende för fondmarknaden och är en viktig del för konsumentskyddet.

Finansinspektionen gör en samlad bedömning om förvärvarna är lämpliga att äga ett fondbolag. Det innebär att Finansinspektionen inte har prövat varje omständighet för sig utan har gjort en helhetsbedömning av förvärvarnas lämplighet. Vid denna helhetsbedömning kan konstateras att två av ledamöterna i LFG, tillika indirekta ägare till fondbolaget om vardera 40 procent, har förekommit i ett flertal bolag som har gått i konkurs inom sex månader efter att de trätt ur styrelsen. De omständigheter som redovisats ovan, bland annat avsaknad av bokföring och kontrollbalansräkning, återvinning från närstående bolag och oren revisionsberättelse, medför att Finansinspektionen ifrågasätter om dessa aktieägare tillika styrelseledamöter i LFG har uppfyllt sina skyldigheter i annan näringsverksamhet.

De iakttagelser som har gjorts av Finansinspektionen inom ramen för den pågående tillsynsundersökningen mot LEX har gett anledning att ifrågasätta förvärvarnas lämplighet. Även om undersökningen ännu inte är avslutad, så kan Finansinspektionen inte bortse från de brister som framkommit där.

Vid en sammantagen bedömning anser Finansinspektionen att det föreligger tvivel beträffande yrkeskompetens, erfarenhet och omdöme i övrigt hos Ingmanson, Svensson och Cembraeus. Dessa tvivel har uppstått med anledning av förvärvarnas tidigare affärsbeteende och får till följd att de inte lever upp till det krav på anseende som ställs på förvärvare av ett fondbolag. Finansinspektionen finner därför att förutsättningarna för att meddela tillstånd till förvärvet inte föreligger. Ansökan ska således avslås.

FINANSINSPEKTIONEN

Inger Lind
Enhetschef

Emma Sandlén
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HUR MAN ÖVERKLAGAR TILL FÖRVALTNINGSRÄTTEN

Om ni anser att beslutet är felaktigt kan ni överklaga det. Skriv i så fall till Förvaltningsrätten i Stockholm, men sänd in skrivelsen till:
Finansinspektionen, Box 7821, 103 97 STOCKHOLM.

Ange i er skrivelse ärendets nummer, vilket beslut ni överklagar, den ändring ni vill ha och varför ni anser att beslutet ska ändras. Underteckna skrivelsen och ange namn och adress.

Överklagandet ska ha kommit in till Finansinspektionen inom tre veckor från den dag ni fick detta beslut. Om överklagandet kommer senare får det inte prövas.

Finansinspektionen sänder överklagandet till Förvaltningsrätten i Stockholm för prövning, om Finansinspektionen inte själv ändrar beslutet på det sätt ni har begärt.

2012-04-24

B E S L U T



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Avskrivning av ärende angående anmälan om ledningsprövning

Finansinspektionens beslut

Finansinspektionen avskriver ärende 12-134, angående anmälan om ledningsprövning, från vidare handläggning.

Ärendet

Legio Financial Group AB inkom den 16 december 2011 med en ansökan om tillstånd till förvärv av samtliga aktier i Traction Fonder AB (fondbolaget), FI Dnr 11-13220. Med anledning av förvärvet har fondbolaget anmält att Peter Sederowsky ska vara ordförande samt att Helena Erlandsson och Tomas Cembraeus ska vara ledamöter i fondbolagets styrelse. Därutöver har Per Burwall anmälts som ställföreträdande VD i fondbolaget.

Fondbolaget har den 24 april 2012 begärt återkallelse av ovan nämnda anmälan om ledningsprövning.

Finansinspektionens bedömning

Med hänsyn till att fondbolaget har återkallat sin begäran ska ärendet avskrivast.

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Ink. 2012 -07- 20

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Stockholm, 20 July 2012

Ownership Assessment

On behalf of our client, ABSIG, LLC we would hereby like to state the following.

On 18 June 2012 Traction Invest AB, reg. no 556504-7999 and ABSIG, LLC signed a share transfer agreement and agreed that Traction Invest AB should transfer 100 % of its shares in Traction Fonder AB, reg. no 556673-5758 to ABSIG, LLC. The closing of the share transfer is conditional upon that ABSIG, LLC and its owners are approved by the Swedish Financial Supervisory Authority (FSA) and we would therefore like to submit the following documents to the FSA.

Appendix A

Ownership Assessment Application Form – ABSIG, LLC

Appendix B

Ownership Assessment Application Form – ABS Investment Group LLC

Appendix C

Ownership Assessment Application Form – Mark Bishop

The business plan of Traction Fonder AB will be forwarded to the FSA my e-mail during the course of next week.

The application fee of SEK 150,000 will be paid to the FSA's account number (Sw. Bankgiro) 5050-6922.

Date as above


Charlotta Olsson

Appendix A

Specification 1b

**Specification of the information to be submitted to Finansinspektionen
for an ownership assessment – Legal person**

(ABSIG LLC)

If Finansinspektionen's permission is required for acquisition of shares in a financial company, legal persons who intend to make a direct or indirect acquisition are required to submit the information set forth in the following specification.

The information shall also be submitted by legal persons who have a qualifying holding in a company applying for permission to conduct financial operations. The target company in this context refers to the company applying for permission to conduct operations. Acquiring company refers to the legal owner of the company applying for permission to conduct operations.

Section 1

Information on the contact person

name

Mark Bishop, Managing Director

ABSIG LLC

1176 Main Street, Suite 300

Irvine, California 92614

title

Managing Director

address

1176 Main Street, Suite 300

Irvine, California 92614

telephone number

+1 949 678 9574

+4670 993 35 38

e-mail

mbishop@absig.com

fax.

+1 949 861 6261

Information on which company the acquisition refers to.

Fup bilaga 4-C

Traction Fonder AB

Information on who is the acquirer

the company's complete name

ABSIG LLC

company registration number

EIN number 26-2582511

the head office's address

**1176 Main Street, Suite 300
Irvine, California 92614**

the head office's telephone number.

+1 877 560 6637

Information on the acquirer's operations.

[ABSIG Presentation, including 2011 fund results is attached hereto] Appendix 1

A registration certificate which not more than two months old.

[certificate of good standing is attached hereto] Appendix 2

The last adopted annual accounts.

[financial statement is attached hereto] Appendix 3

Information on any credit rating and credit rating agency.

[not applicable]

Information on who are the board members, managing director and his or her deputy (incl. civic registration number and position). These persons shall also individually submit the information set forth in Specification 1c (ownership assessment) and a CV (including relevant education, working experience and other assignments).

¹ A direct or indirect ownership in a company where the holding represents ten per cent or more of the share capital or the voting capital or where the holding otherwise renders it possible to exercise a significant influence over the management of the company. The estimate of the holding shall be made in the manner stated in respective operating legislation.

² Joint interest which can affect the influence refers, for example, to shareholders agreements or other agreements regarding joint ownership.

A description or an outline of the entire ownership chain, any group or conglomerate, pre- or post-acquisition.

[Ownership Structure is attached hereto] Appendix 4

The ownership shares shall be stated in per cent in relation to the number of ownership shares issued. If the number of voting rights differs from the number of ownership shares, the number of votes in per cent in

relation to total voting rights shall be stated. State as well owners who in any other way have a significant influence over the company.

Specify for each company in the ownership chain and companies within any group or conglomerate, after the acquisition, companies which are financial, insurance or combined financial holding companies, companies under supervision, e.g. insurance companies, credit institutions, investment firms, fund management companies, etc., and other companies and their operations.

Specify as well any financial groups, insurance groups and financial conglomerates and in these cases also the companies which are included in the companies in the group/conglomerate.

Specify as well in which country each company has its registered office and the supervisory authority in the home country of the company which is under supervision.

Information on whether the company has any form of joint interest with the following persons who can affect the influence in the company to which the acquisition refers (the target company):

Mark Bishop, only.

other shareholders,

others entitled to vote,

any other person or company that without being a shareholder has the opportunity to exercise equivalent influence over the target company or

managing director, or his or her deputy or board member.

Information on any conflicts of interest which may arise in conjunction with the acquisition and an account of how these shall be managed.

Mark Bishop, as an individual, can have no conflicts of interest in conjunction with the acquisition of Traction Fonder AB.

ABSIG LLC can have no conflicts of interest in conjunction with the acquisition of Traction Fonder AB, since ABSIG LLC only manages the funds of specific limited partnerships located in the United States and Canada. There is no intention for ABSIG LLC at any time in the future to become involved in fund management in Sweden.

ABS Investment Group ("ABS") may have a conflict of interest in conjunction with the acquisition of Traction Fonder AB due to the fact that ABS is in the business of actively trading mortgage-backed securities, and such type of securities may also be a small part of Traction Fonder AB's fund portfolio. Nevertheless, ABS may perform analytical services to Traction Fonder AB for its due-diligence process regarding mortgage-backed securities, but Traction Fonder AB may not purchase from or sell to any entity or person that has any common ownership of any sort, or posses any potential conflict of interest. Therefore, Traction Fonder AB will not trade, buy or sell with ABS.

Information (incl. a description of the circumstances) on the company:

during the past five years has been (or is) involved in any civil or administrative legal process in a court or arbitration board which obviously has no significance for the ownership assessment.

○
during the past five years has been (or is) the subject of a composition, company reorganisation or the equivalent in a foreign country.

None

○
during the past ten years has been the subject of a sanction of a competent supervisory authority in Sweden or in a foreign country.

None

○
during the past ten years in Sweden or in a foreign country has had an application rejected, been excluded or in any other manner limited in terms of the right to conduct operations which require permission, registration or such by the competent authority, organisation or equivalent body,

None

○
during the past ten years has been the subject of a suitability assessment by a foreign financial supervisory authority.

None

Section 2

Information on the size of the holding that the acquirer intends to acquire in the target company. The number of ownership shares shall be stated in per cent in relation to the number of ownership shares issued. State the number of ownership shares pre- and post-acquisition (direct and indirect). If the number of voting rights differs from the number of ownership shares, please state as well the number of votes in percent in relation to the total voting rights.

Acquirer (ABSIG LLC) seeks to acquire 100% of Traction Fonder AB's shares.

Information on the estimated acquisition date.

The acquisition should be completed immediately upon FI's approval of ABSIG LLC's acceptability as owner of the shares of Traction Fonder AB. It is expected that such approval may occur prior to October 31, 2012.

Information on the purpose of the acquisition.

The purpose of the acquisition is generate revenue and profits for Traction and the shareholders, through proper management of the Fund company (target). It is anticipated that the disciplines utilized in operating small funds (heavy analytical due diligence, preservation of capital, cash-on-cash returns, appreciation, seeking above peer group returns, and adherence to the disciplines of the business plan) will protect and secure investor capital and provide for above market returns, allowing Traction to compete with larger Fund companies and Banks.

Section 3

Information on how the acquisition is intended to be financed and a description of where the money derives from. Append documentation which attests this or a signed statement from an authorised public accountant.

Traction and fund its operations.] **Appendix 5**

Information on how the transfer of the money will take place, from the financing source to the final recipient of the payment.

[The transfer of money for the acquisition of Traction and operational funds, will be international wire transferred from ABSIG's account at Commerce West Bank, Irvine, California to the appropriate accounts in Sweden.]

Information on whether there is any cooperation with any company in terms of the financing of the acquisition.

None

Section 4

If the acquisition means that the acquirer gains control of the target company, then this information shall be provided as set forth under 4.1.

An acquirer has control of the target company if the acquirer directly or indirectly receives the majority of the votes or shares. Furthermore, an acquirer has control of the target company if they are shareholders and:

- have the right to appoint or dismiss a majority of the members of the target company's administrative body, managerial body or supervisory board or
- through agreements with other partners of the target company control more than half of the votes for all shares or participations.

3 Specification 1b

If the acquisition does not lead to control of the target company but that the share amounts to 20 per cent or more, the information set forth under 4.2. shall be provided.

If the acquisition means that the holding amounts to less than 20 per cent but remains a qualifying holding, the information set forth under 4.3 shall be provided.

If Finansinspektionen requires additional information for its assessment of the acquirer's suitability, Finansinspektionen can request information to be submitted regardless of that stated above in accordance with sections 4.1 or 4.2.

4.1 Qualifying ownership which entails control

[Business plan of Traction Fonder AB is attached hereto]

Appendix 6

Append a business plan which contains:

1.

A strategic development plan with a description of:

- a) the objectives of the acquisition and how these will be attained,
- b) financial goals of the acquisition,
- c) planned changes of the operations, e.g. products, customers and any transfer of assets,
- d) planned integration of the target company in the acquiring group and
- e) information regarding the acquirer's intention and ability to inject capital to the target company if such would be required.

1.

Forecasts for the next three years, both for the target company and any group which the target company belongs to, for:

- a) balance sheet and profit and loss accounts,
- b) significant key ratios and
- c) solvency or capital requirement calculation (including an internal capital adequacy assessment, so-called ICAAP).

1.

A description of how the acquisition will affect governance and organisation in the target company. Specify whether the acquisition is going to affect:

- a) structure of the board of directors and corporate management,
- b) the organisation's operative structure (append the organisation chart),
- c) outsourced operations.

4 Specification 1b 5

4.2 Qualifying ownership which does not entail control, but which amounts to 20 per cent or more

Append the following information:

a) information on whether the acquirer intends in the foreseeable future to increase or decrease his or her holdings in the target company,

b) information on whether the acquirer intends to act as an active minority owner and in such a case the basis for this,

c) information on whether the acquisition means that the target company, together with the acquirer, will be a part of a financial group or insurance group and forecasts for the group consisting of:

- balance sheet and profit and loss accounts,
- significant key ratios,
- solvency or capital requirement calculation (including an internal capital adequacy assessment, so-called ICAAP).

4.3 Qualifying ownership that is less than 20 per cent

Append the following information:

information on whether the acquirer intends within the foreseeable future to increase or decrease his or her holding in the target company and

information on whether the acquirer intends to act as an active minority shareholder and in such a case which objectives the acquirer has.

About the application

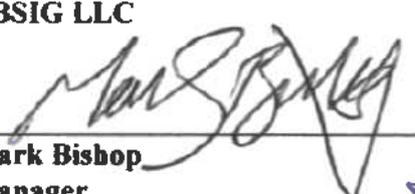
The application shall be signed by the acquirer, certifying that the information submitted is correct and complete.

In the event that identical information has already been submitted to Finansinspektionen in another matter, please refer to this by stating the registration number and what information it deals with.

Please note: In conjunction with the ownership assessment, Finansinspektionen will obtain information from, e.g. Rikspolisstyrelsen (Swedish National Police Board), Bolagsverket (Swedish Companies Registration Office), Skatteverket (Swedish National Tax Board) and Kronofogdemyndigheten (Swedish Enforcement Authority).

The content of this Ownership Assessment Application is approved by:

ABSIG LLC


Mark Bishop
Manager

July 16, 2012



ABS INVESTMENT GROUP FUND

FUND INFORMATION BROCHURE – FOR INFORMATION & DISCUSSION PURPOSES ONLY, THIS IS NOT A SOLICITATION FOR SALE OR PURCHASE OF SECURITIES WITHOUT THE CORRECT SUPPORTING LEGAL DOCUMENTATION.

FINANSINSPEKTIONEN
Ink. 2012-07-20
Dnr.



Appendix 1



ABS
INVESTMENT GROUP

1176 MAIN ST, SUITE 300
IRVINE, CA 92614

707 BROADWAY, 18TH FLOOR
SAN DIEGO, CA 92101

FUND INFORMATION BROCHURE – FOR INFORMATION & DISCUSSION PURPOSES ONLY, THIS IS NOT A SOLICITATION FOR SALE OR PURCHASE OF SECURITIES WITHOUT THE CORRECT SUPPORTING LEGAL DOCUMENTATION.

Securitization

- Securitization is the process of pooling mortgage loans and converting them into packages of securities with various credit ratings, timing of cash flow, and risk/return profit.
- Originators sell whole loans to a trust by generating mortgage volume via flow or bulk purchases.
- The Trust issues rated, registered securities, which the dealer distributes to investors acting as securities underwriter.
- AAA rating is achieved through senior/subordinate structure, whereby a portion of the pool is subordinated to the rest with respect to realized losses.
- A dealer works with investors to structure various cash-flows to meet investor needs and requirements (reverse inquiry).
- The Trust receives cash flows from underlying loans and distributes them monthly to investors according to distribution rules.
- Dealers provide secondary trading liquidity, valuation and analysis.

What is an MBS?

- An MBS consists of a number of mortgages that are similar in amounts, terms, rates and structure are pooled into a single group.
- Mortgage documents associated with this group are transmitted to a custodian, reviewed by a trustee and then assigned an identification (pool) number by an issuing entity.
- An MBS is issued with a face amount equal to the cumulative outstanding principal balance of the mortgage (original balance) minus overcollateralization and with certain characteristics such as bond coupon.
- The mortgages have been pooled together to serve as the collateral for the security.
- Loans underlying a pool are similar, but not identical. Properties of an MBS must be described using the weighted averages by face value (WAM -weighted average maturity, WAC weighed average coupon and WALA -weighted average loan age).
- The MBS assumes the same characteristics as the collateral that secure the principal and interest payments to the bonds.

How are they created?

- The mortgage lender extends a loan to the homeowner.
- The mortgage lender then sells the loan to an agency such as Fannie Mae and Freddie Mac (agency) or a private entity (non-agency).
- The agency or private entity takes a number of the mortgage loans and bundles them into a “pool”. As homeowners make their monthly payments, the pool of mortgages generates a regular cash flow.
- The agency or private entity then sells claims on that cash flow, in the form of securities (bonds), to investors.
- Mortgage payments (principal and interest), are passed on from the mortgage services to the bond holder.

Credit Enhancements (protection against losses)

- Internal (within the deal) or external (by a third party) mechanism to insulate investors from pool deterioration.
- Whether provided externally or internally, credit enhancements size bonds to provide adequate protection, so as to ensure the timely payment of principal and interest.
- Internal forms of credit enhancement are provided by a reallocation of collateral cash flows leading to credit tranching.

The most popular forms are:

- subordination
- over-collateralization (OC)
- excess spread.

Subordination

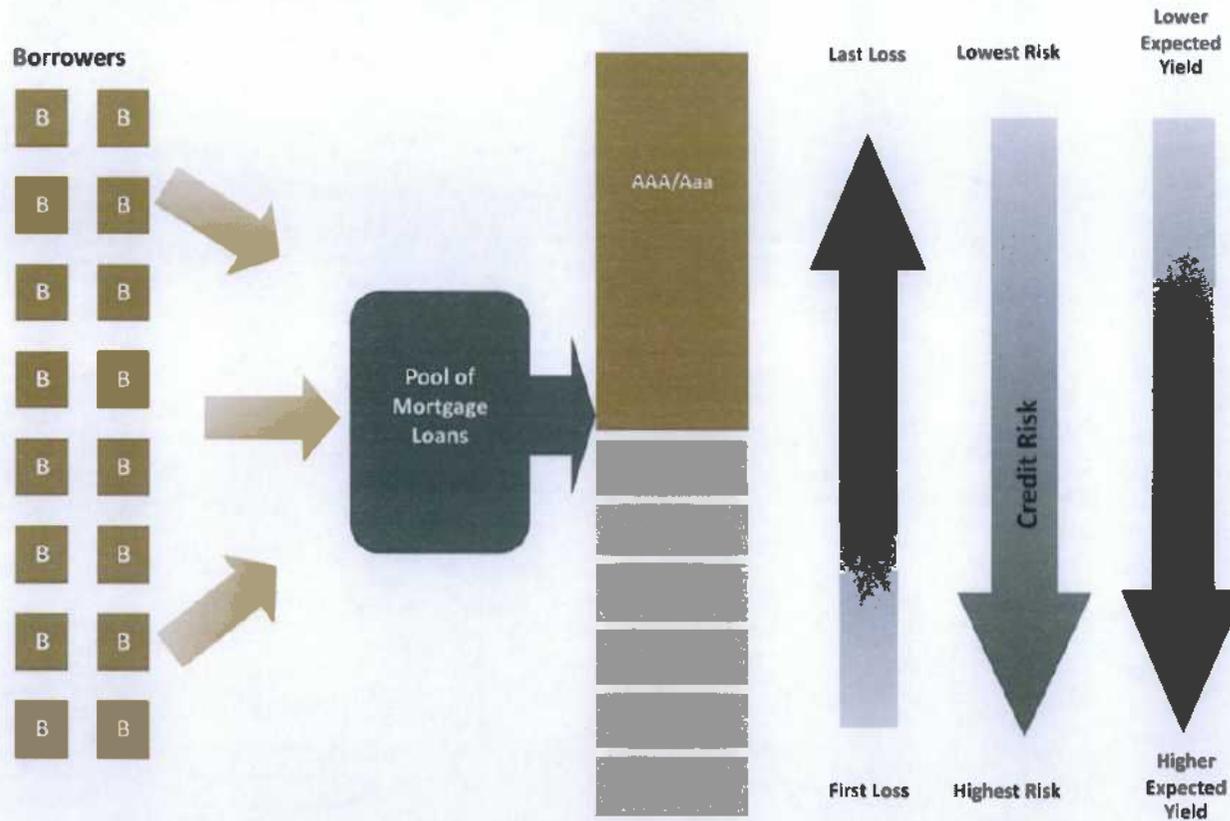
- In an RMBS, subordinate tranches provide credit support to senior classes within a deal.
- Allocation of losses progress from the lowest to the highest rated classes.
- This form of credit support often calls for the allocation of a disproportionate amount of principal prepayments to the senior classes of the deal so that the subordinate classes remain outstanding for a sufficiently long time to ensure availability of credit support to the seniors.

Over-Collateralization (OC) / Excess Spread

- Arises when weighted average net mortgage rate of a group of loans exceeds the weighted average pass-through rate on bonds (plus certain expenses of the trust), generating excess interest collections.
- The excess interest is initially applied to the reduction of the aggregate principal balance of securities, resulting in a more rapid amortization of the aggregate principal balance of these securities, as compared to the decline in the aggregate mortgage collateral balance.
- This creates OC and this application of excess interest continues until the OC target is met.
- Upon funding of the OC, any realized losses on the collateral are covered by the monthly excess spread and the OC prior to the subordinate classes being hit.
- Remaining excess spread is directed to the residual holder, which may or may not be the issuer.

Credit Enhancement Structure

Different Risk and Return for Different Investors



Agency vs. Non Agency Bonds

- MBS are issued by a government-sponsored enterprise (agency bond) or by a private entity (non agency bond).
- Agency securities have an implied government guarantee.
- Non-agency MBS are not guaranteed by the federal government, but instead have very thick credit enhancements.
- In the current financial marketplace there are good money bonds in both the agency and non-agency sectors.
- Bonds in both sectors are faced with an illiquid market.

Agency Bonds	Non Agency Bonds
Smaller Spreads	Wider Spreads (affects cash on cash returns and total return of the fund)
Thin levels of credit enhancements	Thicker levels of credit enhancements (protects unforeseen losses)

Distressed Bonds vs. Distressed Assets – Advantages

- Diversification creates protection against asset loss.
- Not a one to one ratio of losses in the mortgages to direct losses in the bond.
- Afford to take losses within the security (mortgage pool) without having to worry about the bond being affected.
- Upside is clearly connected to increases in short term interest rates.
- Exit on bonds is not just an equity play, the principal may be returned faster to increase the rate of return.
- Cash flows are fairly quantifiable and money good bonds will return 100% of face value.

Risk Factors

- Housing Market Conditions
- Difficult Valuation
 - Forecast of Interest Rates
 - Forecast of Losses/Delinquencies
 - Forecast of Prepayments
- Competition
 - As the market recovers more institutions will enter the market affecting pricing/returns and availability of bonds
- Diversification
- Effect of Government Programs
 - PPIP
 - Loan Modification
 - HOPE Programs
 - TALF
 - TALF expanded to include non-agency bonds

Interest Rates

- Currently at historically low rates.
 - The bonds purchased are largely floating rate assets.
 - Any increase in short term interest rates directly impact interest received on bonds and thus increases the return to the investor.
- ✓ Increases in short term interest rates benefit the fund**

Prepayments

- This shortens the duration of the asset and can result in a clean-up call much earlier than anticipated (which is equivalent to selling the bond at par pricing).
 - Pays down the capital account faster with less reliance on the sale of the asset for asset return at 36 months.
 - Increases the yield on asset.
 - Discounted bonds benefit from faster prepayments in that the asset amortizes toward par much faster and thus increases the pricing in the market as it draws closer to the maturity.
- ✓ **Prepayments benefit the fund**

Loss Profile

- Aggressive delinquency/loss profile in determining the initial cash flows on the deal.
- Delinquencies are a concern only to the extent that they result in losses that exceed our most extreme loss profile.
- Credit Enhancements provide a cushion for the potential losses.
- Stress testing identifies the loss level at which the bond breaks, providing us with a benchmark multiplier to current and expected loss levels.

(see due diligence section)

What is the tax-treatment for non US investors? (tax opinion from Baker McKenzie Chicago)

- ✓ No U.S. income tax on interest income.
- ✓ No filing of US income tax returns.
- ✓ No withholding tax on interest.

ABS INVESTMENT GROUP FUNDS

• **Investment Objective:** Principal preservation, quarterly interest and cash flow, principal and gains.

• **Investment Strategy:** Invest the proceeds of this offering in L.P. units issued by the Fund, which will selectively acquire high-quality, deeply discounted Residential Mortgage Backed Securities (“RMBS”) and hold them for investment and sale.

• **Investor Returns: Investors receive cash flow and profit from three sources**

1. 100% of principal payments until all contributed capital is returned;
2. Preferred Return of 6% per annum on net invested capital, paid quarterly;
3. 80% of the profits generated from the net cash flows from the interest income and 80% of the gains distributed by the Fund

Why Now?

- The Fed reduced interest rates to historically low levels in 2003, resulting in:
 - An asset bubble in the housing market.
 - Rampant prepayments in mortgage backed securities, which masked the Performance Statistics of the underlying mortgage pool.
- In the second half of 2006 and continued through 2007, delinquencies in all mortgage backed securities rose higher than modeled, forcing ratings agencies to revise their modeling assumptions on existing paper.
- These revisions resulted in the downgrade of numerous Prime, Subprime and Alt-A bonds.
- Margin calls and the ensuing lack of liquidity in the capital markets for RMBSs eventually slowed the origination of Subprime and Alt-A loans, forcing hundreds of originators to close their doors while the remaining originators have significantly tightened credit requirements.
- The illiquidity creates an opportunity for ABS Investment Group to utilize its extensive experience in the analysis, acquisition, and management of performing, money good, RMBS bonds.
- This is the first market cycle in which RMBS bonds have been able to be offered to the private retail market efficiently: where spreads are sufficiently wide for the private investor, and bonds can be purchased at prices significantly discounted from where the Company estimates actual value.

Fund Advantages

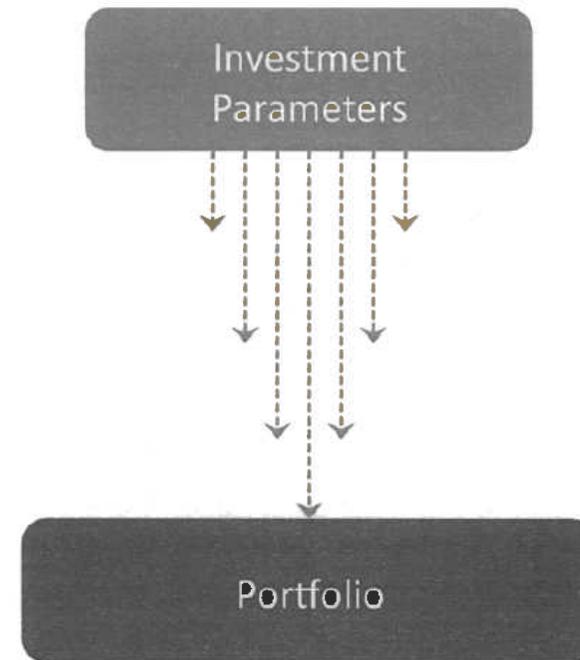
- The Fund will combine extensive market experience with comprehensive research and analysis, using robust due diligence to identify high-quality RMBS, offering the greatest potential rewards with the least possible risk.
- Using this approach, the Fund will ultimately acquire only a small portion of the securities it actually assesses.
- The Fund intends to acquire RMBS at a discount to their estimated market value and in turn, to recapture this discount over a three to five year term.

Management Team (ABS)

- Mark Bishop Managing Member and CEO of ABSIG LLC
- Mark Aarvig Chief Investment Officer, Portfolio/Fund Manager
- Lisa Duehring Managing Director, Capital Markets
- Craig Chang Operations
- Sagar Patel Trading Analyst
- Steve Bishop Fund Manager

Investment Parameters – Portfolio

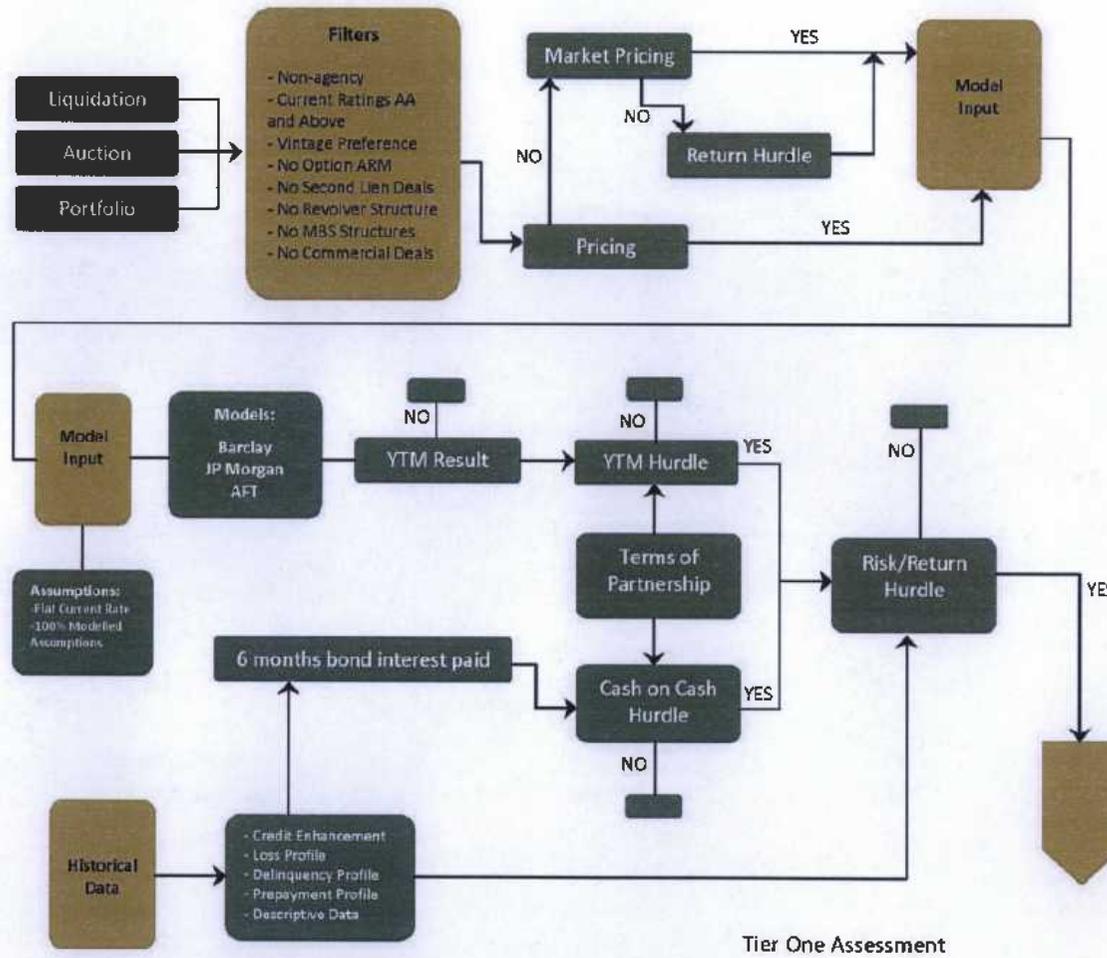
- Minimum ROE: The minimum expected return shall be 25%
- Maximum Geographic Concentration: No more than 50% of the assets will be concentrated in any one state
- Minimum Bond Rating: AA
- Maximum Loan-to-Value ratio: 80%
- Minimum Excess Servicing Spread: 75 basis points
- Occupancy: No less than 90% of the loans in a loan pool or security will be owner occupied residences
- Property Type: 100% of the loans in a loan pool or security will be on 1-4 family residences, with no less than 90% being single family residences
- All bonds will be seasoned
- Minimum Bond Collateral-to-Bond Investment will be 2:1
- Significant Credit Enhancement: Minimum subordination level will be 15%



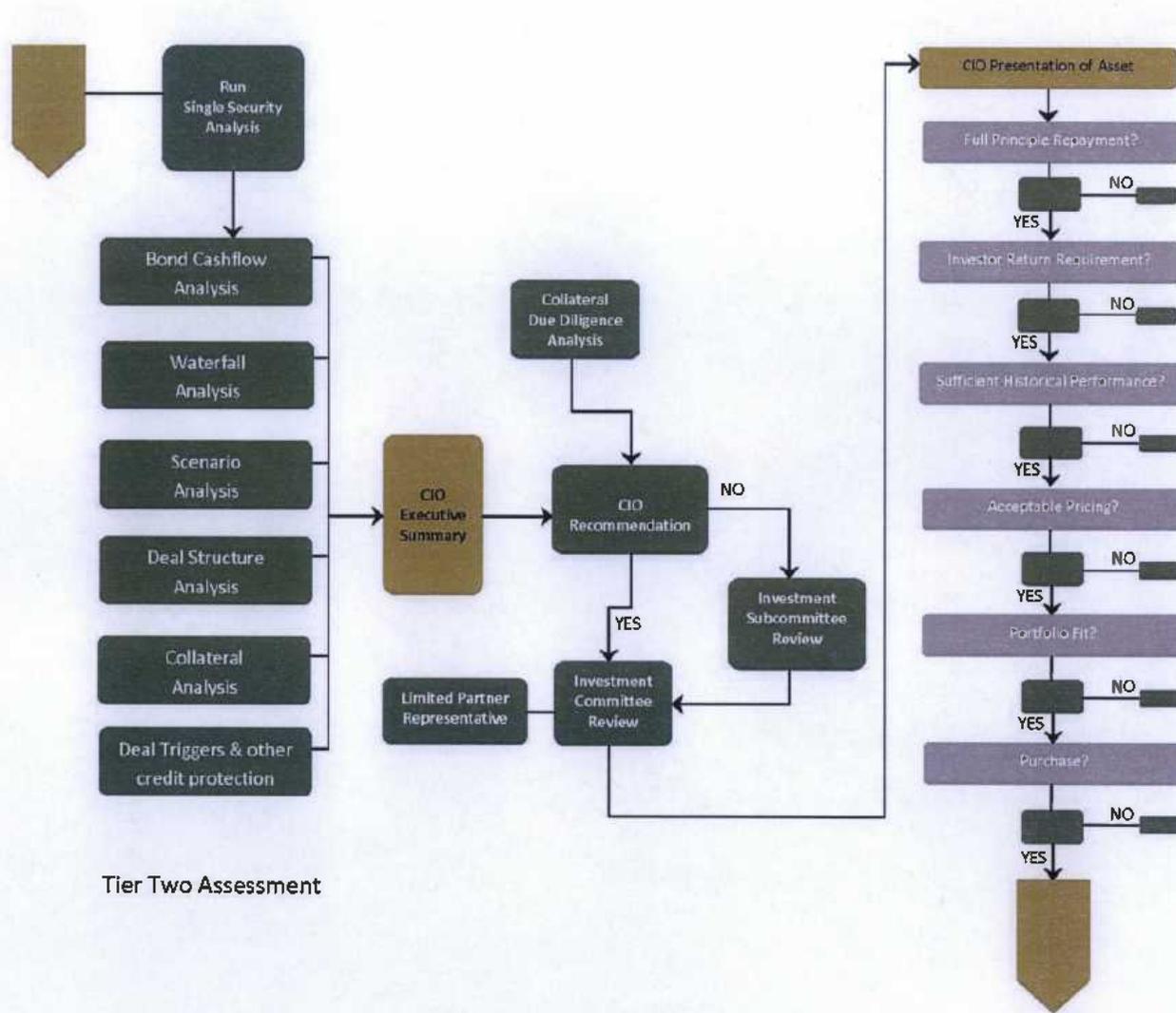
Due Diligence

- Hand-selected based on collateral/real estate and geographic concentration.
- Cash flow model performed on every bond in the security.
- Examine all the credit enhancement provisions and dynamics of the bond.
- Stress test based on various performance, pre-payment, interest rate and pricing metrics.
- Select only a handful of bonds out of every several thousand subjected to the analysis.

Due Diligence

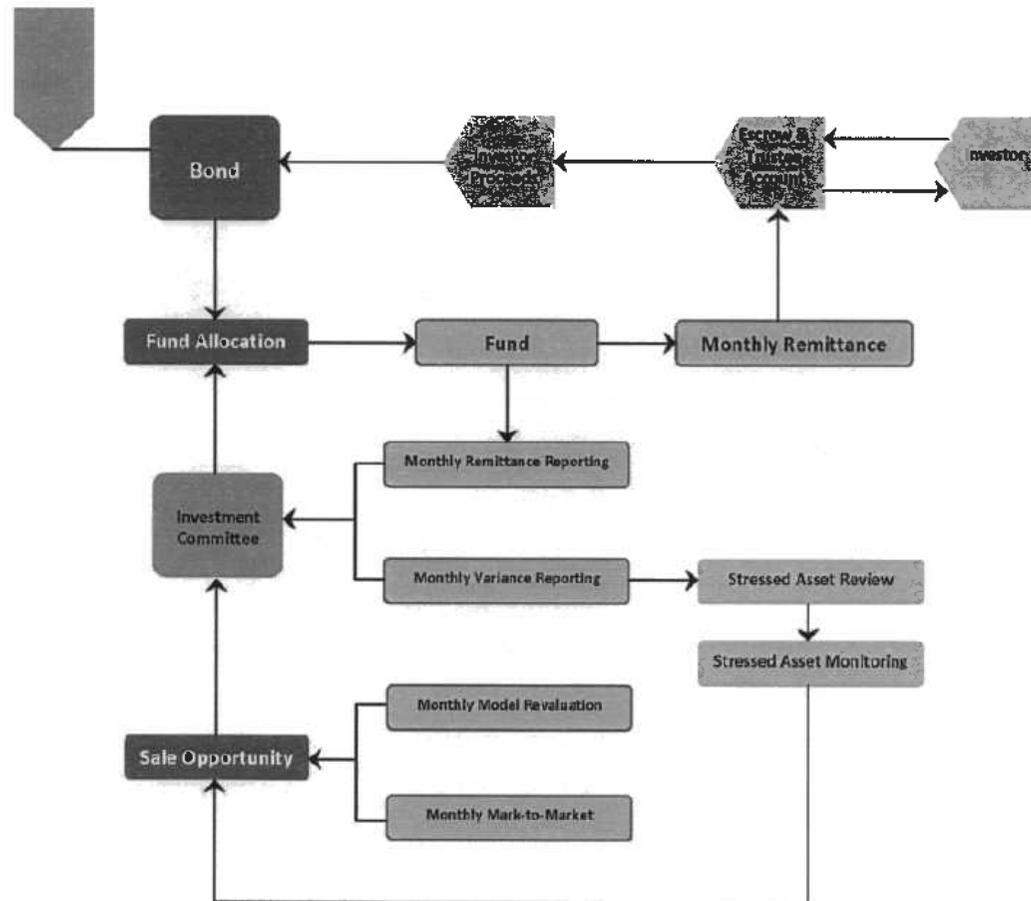


Due Diligence



Tier Two Assessment

Due Diligence



Tier Three Assessment

Exit Market for Bonds

- Actual bond cash flows will pay off the investors capital accounts.
- Current economy –no market for new securitized debt NOR market for selling existing debt.
- 3 to 5 years from now –there will emerge both market for new debt and for sale of existing bonds (close to par).
- Based on the Fund’s purchase price and due diligence, we project significant proceeds on sale.
- Banks, Hedge Funds, Investment Firms, and International clients will be primary exits.

Historical Performance

- ABS Investment Group's management team has originated, structured and managed over \$51 billion of RMBS from 2003 through 2007.
- None of the referenced securities have taken a principal write-down.
- In fact, going back to 1994 vintages (when individuals of the management team started securitizing mortgage loans), this management group has been involved in the securitization and management of over \$100 billion of RMBS, and again, none of the securities have taken a principal write-down.



ABS INVESTMENT GROUP BOND PORTFOLIO

MOVING FORWARD TOGETHER...

...Q4 2011

FUND ADVANTAGE

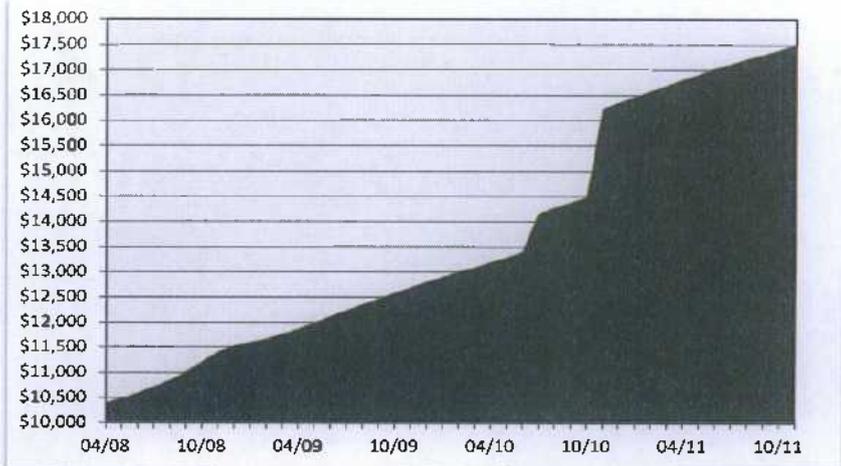
The ABS Investment funds seek a maximum return, consistent with preservation of capital and prudent investment management. The Fund is an alternative approach for money market and short term investors who seek enhanced returns paid monthly, appreciation and capital preservation. The Fund is an actively managed bond fund that invests in investment grade, short to intermediate duration mortgage-backed securities.

Residential Mortgage-Backed Securities offer investors a fairly priced means of diversifying their holdings, and entering the distressed real estate market, with high returns, immediate, predictable and reliable monthly payments, and managed risk. The spreads are wide compared to treasuries, equities, corporate, and real estate equity.

Residential Mortgage-Backed Securities fill a special niche and will be attractive to many investors. ABS Investment Group's clients invest either through separate funds or in pooled funds in limited partnerships. The investment process includes both strategy formulation and execution: research, acquisition of assets, active portfolio management and eventual harvesting of assets. Our flat management structure allows us to focus on client needs and respond quickly to an ever changing external environment.

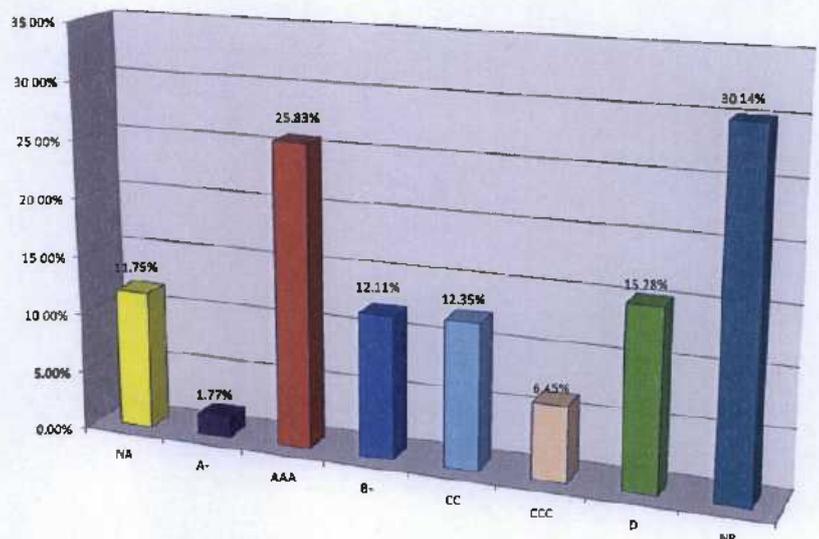
Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions. Please call ABS Investment Group at (877)560-6637 or visit www.absig.com for the most recent month-end performance.

GROWTH OF A \$10,000 INVESTMENT



% Average Annual Total Return

Without Sales Charge	1 Year	2 Years	3 Years	Inception
ABSIG Funds	11.17%	12.45%	12.98%	13.08%
Lipper Avg	3.77%	6.16%	8.55%	
Barclays US Aggregate	5.26%	6.62%	7.97%	
Lipper High Yield Corporate	2.48%	7.45%	12.41%	
Barclays High Yield Corporate	4.09%	7.13%	10.17%	



PORTFOLIO MANAGER

Mark Allan Aarvig
Since 2007

INVESTMENT TEAM

The Fund has assembled a management team with experience in acquiring, managing and marketing highly successful private investment funds. The team possesses the expertise, discipline and experience required to build impressive portfolios of past and present successes. The asset managers of the Fund have originated, structured and managed over \$100 billion of mortgage backed securities since 1994.

WHAT ARE THE RISKS?

Pricing of a typical mortgage is based on two sources of uncertainty: credit risk and interest rate risk. The added layer that Residential Mortgage Backed Securities (RMBS) introduces is timing of cash flow. With prepayment on Residential Mortgage Backed Securitizations, the holder does not receive the full term of planned interest payments, but such early prepayments increase the total return of the investment.

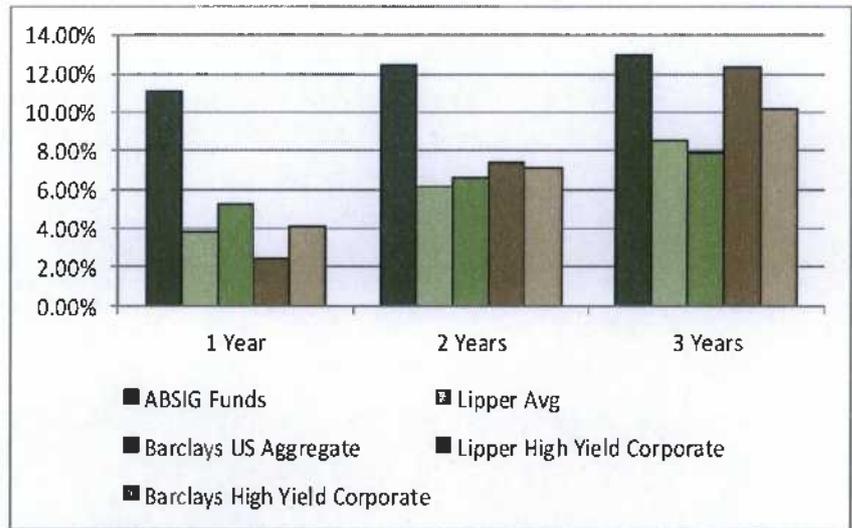
All of our RMBS contain credit enhancements. Credit enhancements size bonds to provide adequate protection, so as to ensure the timely payment of principal and interest. The most popular forms of credit enhancements that are characteristic in our Funds are subordination, over-collateralization, credit tranching, and excess spread.

Finally, the Fund acquires RMBS at significant discounts to their estimated market value and in turn, such discount represents additional credit enhancement.

1. As of Q4 2011. Holdings are subject to change. For updated information, please call ABS Investment Group at (877) 560-6637 or visit www.absig.com

2. The Total Return Calculations reflect an estimated yield to date. It should be regarded as an estimate of the fund's rate of investment income and actual principal value, and it may not equal the fund's actual income distribution rate.

ANNUALIZED RETURNS



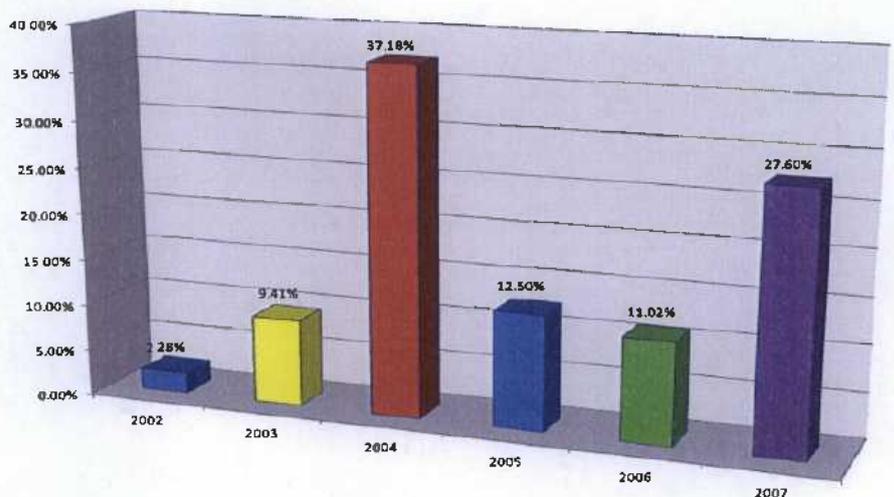
MANAGER'S PERSPECTIVE

"The Fund executes a unique approach to the mortgage-backed securities market that emphasizes actively managed exposure to the non-agency MBS market. The MBS market has been a critical source of current income and excess returns for ABS Investment Group since its founding, and the firm has a dedicated team of career mortgage-portfolio managers.

The Fund has a disciplined focus on value and security selection, which is supported by a sophisticated analytical platform that helps identify mispriced securities presenting attractive investment opportunities."

- Mark Allan Aarvig

VINTAGE ALLOCATION



Investors should consider investment objectives, risks, charges and expenses carefully, which are detailed in our prospectus. Please read our prospectus carefully before investing. For further information regarding ABS Investment Group funds, please call to speak with an investment manager. Investments are not FDIC insured or bank guaranteed and may lose value.



CONTACT INFORMATION:

TEL: 877-560-6637

EMAIL: INVESTORRELATIONS@ABSIG.COM

WEB: WWW.ABSIG.COM

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Investor Commitment from ABS Investment Group – What you will receive

- Quarterly Remittance Reporting
- Quarterly preferred return, principal and interest income payments
- ABS Investment Group TeamTalk newsletter
- Auditing by Deloitte

Conclusion

- ABS Investment Group is enabling, in a tax-efficient manner, private investors to participate in a high-caliber opportunity that would normally be reserved for institutional investors.
- RMBS securities offer investors a fairly priced means of diversifying their holdings, and entering the distressed real estate market, with high returns, and immediate, predictable and reliable quarterly payments.
- The spreads are wide compared to treasuries, equities, corporate, and real estate equity. The due diligence will identify bonds with value, performance and credit support.
- The fund will invest where risk is mispriced, and offer investors high returns, and stable payments in a volatile and dislocated market.
- Accordingly, RMBS fill a special niche and are attractive to many investors.

Servicer Providers

- Trustee

- LPL Financial

- Custodian

- Bank of America

- Commerce West Bank

- Legal Counsel

- Baker & McKenzie LLP

- Jones Day LLP

- Auditor

- Deloitte & Touche

- Analytics Providers

- Bloomberg

- Intex

- Polypath

- LPS Analytics

- Lewtan Technologies

- JP Morgan BondStudio

- Barclay Capital Live

**State of California
Secretary of State**

FINANSINSPEKTIONEN

Ink. 2012 -07- 20

Dnr.

CERTIFICATE OF STATUS

ENTITY NAME: A.B.S.I.G. LLC

FILE NUMBER: 200807410160
FORMATION DATE: 03/13/2008
TYPE: DOMESTIC LIMITED LIABILITY COMPANY
JURISDICTION: CALIFORNIA
STATUS: ACTIVE (GOOD STANDING)

I, DEBRA BOWEN, Secretary of State of the State of California, hereby certify:

The records of this office indicate the entity is authorized to exercise all of its powers, rights and privileges in the State of California.

No information is available from this office regarding the financial condition, business activities or practices of the entity.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of July 16, 2012.

Debra Bowen

DEBRA BOWEN
Secretary of State

EMS

Ink. 2012 -07- 2 0

Dnr.

J. Thomas Epperson & Co

CERTIFIED PUBLIC ACCOUNTANTS

22361 Ridgebrook Drive
Mission Viejo, California 92692
(503) 510-9198
epperjt@gmail.com

Board of Directors
ABSIG, LLC
Irvine, California

I have reviewed the accompanying balance sheet of ABSIG, LLC (a limited liability company) as of June 30, 2012, and the related statement of income and retained earnings for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the owners of ABSIG, LLC.

A review consists principally of inquiries of Company personnel and analytical procedures to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying balance sheet in order for it to be in conformity with generally accepted accounting principles.



J. Thomas Epperson & Co.
July 12, 2012

ABSIG, LLC
BALANCE SHEET
JUNE 30, 2012

June 30, 2012

Assets:

<i>Current Assets</i>	\$
<i>Checking/Savings</i>	
10200 · Commerce West Bank	1,560,475
<i>Total Checking/Savings</i>	1,560,475
<i>Investment in Mortgage Backed Securities</i>	5,424,749
<i>Other Current Assets</i>	
14200 · Due From Team III	1,799
14300 · Due From Fund IV	2,601
14500 · Due From ABS V	1,055,770
14800 · Due From ABS Investment	1,930,515
<i>Total Other Current Assets</i>	2,990,685
<i>Total Current Assets</i>	9,975,909
<i>Other Assets</i>	
17100 · Investment in Team III	797,251
17200 · Investment in Team IV	1,225,473
17300 · Investment in ABS V	1,203,042
<i>Total Other Assets</i>	3,225,766
<i>Total Assets</i>	\$ 13,201,675

ABSIG, LLC
BALANCE SHEET
JUNE 30, 2012

June 30, 2012

Liabilities and Equity:

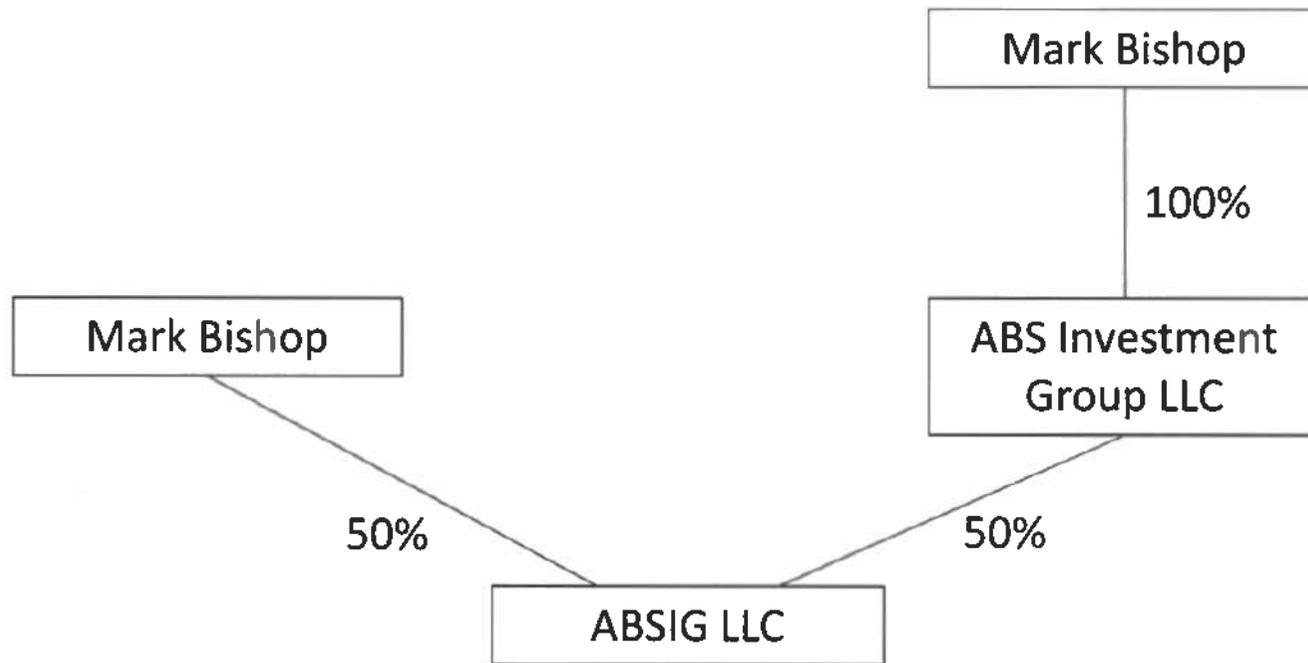
<i>Liabilities</i>	\$
<i>Current Liabilities</i>	
<i>Other Current Liabilities</i>	
23200 · Due to Team Nation III	115,830
23220 · Due to Fund V	1,077,563
<i>Total Other Current Liabilities</i>	<u>1,193,393</u>
<i>Total Current Liabilities</i>	<u>1,193,393</u>
<i>Total Liabilities</i>	<u>1,193,393</u>
<i>Equity</i>	
<i>30100 · ABS Investment Group, LLC</i>	
Members' Equity	
<i>Total 30100 · ABS Investment Group, LLC</i>	11,553,243
<i>Net Income</i>	455,039
<i>Total Equity</i>	<u>12,008,282</u>
<i>Total liabilities and equity</i>	<u>\$ 13,201,675</u>

ABSIG, LLC
STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2012

Ordinary Income/Expense:

<i>Income</i>	\$
<i>40000 · Interest Income</i>	
42200 · Interest Income - Fund III	148,183
42300 · Interest Income - Fund V	25,284
42430 · Interest Inc - IV - Excess	81,346
42440 · Interest Inc - Mortgage Backed Securities	325,485
<i>Total 40000 · Interest Income</i>	580,298
 <i>Total Income</i>	
<i>Expense</i>	
<i>60000 · Professional Services</i>	
60100 · Accounting	25,000
60400 · Contract Services	53,246
<i>Total 60000 · Professional Services</i>	78,246
61000 · Advertising / Promotion	6,000
61500 · Bank charges	2,013
61800 · Data Services	39,000
<i>Total Expense</i>	125,259
 <i>Net Ordinary Income</i>	
<i>Net Income</i>	\$ 455,039

Ownership structure



J. Thomas Epperson & Co

CERTIFIED PUBLIC ACCOUNTANTS

22361 Ridgebrook Drive
Mission Viejo, California 92692
(503) 510-9198
epperjt@gmail.com

Charlotta Olsson, Lindahl,
Master Samuelsgatan 20
Stockholm SE-101 39
Sweden

Dear Ladies and Gentlemen

Please allow this letter to confirm that I have represented ABSIG LLC since its inception in 2008. I have handled all Tax and Accounting matters since that time. I am also familiar with the pending acquisition of "Traction" and how it will be financed.

ABSIG LLC will acquire "Traction" and finance its ongoing operations from current and retained earnings.

The transfer of monies for the acquisition of "Traction" and for operational funds will be an international wire, transferred from ABSIG's bank account at Commerce West Bank, Irvine, California to the appropriate accounts in Sweden.

I can certify that aforementioned transaction and its structure is accurate and will be consummated as outlined above.

Should you have any questions or concerns, please do not hesitate to contact me. Thank You.

Sincerely,

 7/18/2012

J Thomas Epperson, CPA

Specification 1b

**Specification of the information to be submitted to Finansinspektionen
for an ownership assessment – Legal person**

(ABS Investment Group, LLC)

If Finansinspektionen's permission is required for acquisition of shares in a financial company, legal persons who intend to make a direct or indirect acquisition are required to submit the information set forth in the following specification.

The information shall also be submitted by legal persons who have a qualifying holding¹ in a company applying for permission to conduct financial operations. The target company in this context refers to the company applying for permission to conduct operations. Acquiring company refers to the legal owner of the company applying for permission to conduct operations.

Section 1

Information on the contact person

name

**Mark Bishop, Managing Director
ABS Investment Group, LLC
707 Broadway, 18th Floor
San Diego, CA 92101**

title

President

address

**707 Broadway, 18th Floor
San Diego, CA 92101**

telephone number

**+1 949 678 9574
+4670 993 35 38**

e-mail

mbishop@absig.com

fax.

+1 949 861 6261

Information on which company the acquisition refers to.

Traction Fonder AB

□ Information on who is the acquirer

○ the company's complete name

ABS Investment Group, LLC

○ company registration number

EIN number 26-2119490

○ the head office's address

**707 Broadway, 18th Floor
San Diego, CA 92101**

○ the head office's telephone number.

+1 949 678 9574

Information on the acquirer's operations.

ABS Investment Group's goal is to recommend bonds to its institutional investors that deliver consistent returns while preserving capital. This requires a disciplined analytical process that focuses on risk minimization. The investment process is based on unique understanding of the collateral and structures as well as a comprehensive analysis used to discover value.

Quality fixed income investing requires independent, fundamental analysis. ABS Investment Group conducts comprehensive research on its proposed investments using state of the art analytics tools, which is combined with its extensive market experience to identify and to analyze attractive investment opportunities.

Diversification is key to successful fixed income investing. Uncovering the complexities of the underlying bond cashflows and layering them to provide diversity, therefore, ensuring smooth returns.

ABS Investment Group acts as a trader between large institutional buyers and sellers of mortgage-backed securities. Its revenue is generated by broker fees. ABS Investment Group has several contracts with data suppliers in order for ABS Investment Group to analyze various bonds and make value-added recommendations to its counterparties, such as Bank of America, Barclays Capital, and Nomura.

[ABS Primer and Company Summary is additionally attached hereto] **Appendix 1**

A registration certificate which not more than two months old.

[certificate of good standing is attached hereto] **Appendix 2**

The last adopted annual accounts.

[financial statement is attached hereto] **Appendix 3**

Information on any credit rating and credit rating agency.

[not applicable]

Information on who are the board members, managing director and his or her deputy (incl. civic registration number and position). These persons shall also individually submit the information set forth in Specification 1c (ownership assessment) and a CV (including relevant education, working experience and other assignments).

¹ A direct or indirect ownership in a company where the holding represents ten per cent or more of the share capital or the voting capital or where the holding otherwise renders it possible to exercise a significant influence over the management of the company. The estimate of the holding shall be made in the manner stated in respective operating legislation.

² Joint interest which can affect the influence refers, for example, to shareholders agreements or other agreements regarding joint ownership.

A description or an outline of the entire ownership chain, any group or conglomerate, pre- or post-acquisition.

[Ownership Structure is attached hereto]

Appendix 4

The ownership shares shall be stated in per cent in relation to the number of ownership shares issued. If the number of voting rights differs from the number of ownership shares, the number of votes in per cent in relation to total voting rights shall be stated. State as well owners who in any other way have a significant influence over the company.

Specify for each company in the ownership chain and companies within any group or conglomerate, after the acquisition, companies which are financial, insurance or combined financial holding companies, companies under supervision, e.g. insurance companies, credit institutions, investment firms, fund management companies, etc., and other companies and their operations.

Specify as well any financial groups, insurance groups and financial conglomerates and in these cases also the companies which are included in the companies in the group/conglomerate.

Specify as well in which country each company has its registered office and the supervisory authority in the home country of the company which is under supervision.

Information on whether the company has any form of joint interest² with the following persons who can affect the influence in the company to which the acquisition refers (the target company):

Mark Bishop, only.

other shareholders.

others entitled to vote.

any other person or company that without being a shareholder has the opportunity to exercise equivalent influence over the target company or

managing director, or his or her deputy or board member.

Information on any conflicts of interest which may arise in conjunction with the acquisition and an account of how these shall be managed.

Mark Bishop, as an individual, can have no conflicts of interest in conjunction with the acquisition of Traction Fonder AB.

AB, since ABSIG LLC only manages the funds of specific limited partnerships located in the United States and Canada. There is no intention for ABSIG LLC at any time in the future to become involved in fund management in Sweden.

ABS Investment Group ("ABS") may have a conflict of interest in conjunction with the acquisition of Traction Fonder AB due to the fact that ABS is in the business of actively trading mortgage-backed securities, and such type of securities may also be a small part of Traction Fonder AB's fund portfolio. Nevertheless, ABS may perform analytical services to Traction Fonder AB for its due-diligence process regarding mortgage-backed securities, but Traction Fonder AB may not purchase from or sell to any entity or person that has any common ownership of any sort, or poses any potential conflict of interest. Therefore, Traction Fonder AB will not trade, buy or sell with ABS.

□

Information (incl. a description of the circumstances) on the company:

○

during the past five years has been (or is) involved in any civil or administrative legal process in a court or arbitration board which obviously has no significance for the ownership assessment,

None

○

during the past five years has been (or is) the subject of a composition, company reorganisation or the equivalent in a foreign country,

None

○

during the past ten years has been the subject of a sanction of a competent supervisory authority in Sweden or in a foreign country,

None

○

during the past ten years in Sweden or in a foreign country has had an application rejected, been excluded or in any other manner limited in terms of the right to conduct operations which require permission, registration or such by the competent authority, organisation or equivalent body,

None

○

during the past ten years has been the subject of a suitability assessment by a foreign financial supervisory authority.

None

Section 2

Information on the size of the holding that the acquirer intends to acquire in the target company. The number of ownership shares shall be stated in per cent in relation to the number of ownership shares issued. State the number of ownership shares pre- and post-acquisition (direct and indirect). If the number of voting rights differs from the number of ownership shares, please state as well the number of votes in percent in relation to the total voting rights.

Acquirer (ABSIG LLC) seeks to acquire 100% of Traction Fonder AB's shares. ABSIG is 50% owned by ABS Investment Group and 50% owned by Mark Bishop.

Information on the estimated acquisition date.

Fup bilaga 4-C

The acquisition should be completed immediately upon FI's approval of ABSIG LLC's acceptability as owner of the shares of Traction Fonder AB. It is expected that such approval may occur prior to October 31, 2012.

Information on the purpose of the acquisition.

The purpose of the acquisition is generate revenue and profits for Traction and the shareholders, through proper management of the Fund company (target). It is anticipated that the disciplines utilized in operating small funds (heavy analytical due diligence, preservation of capital, cash-on-cash returns, appreciation, seeking above peer group returns, and adherence to the disciplines of the business plan) will protect and secure investor capital and provide for above market returns, allowing Traction to compete with larger Fund companies and Banks.

Section 3

Information on how the acquisition is intended to be financed and a description of where the money derives from. Append documentation which attests this or a signed statement from an authorised public accountant.

The acquisition will be conducted by ABSIG LLC.

[Certification from accountant that ABSIG shall utilize its retained earnings in order to acquire Traction and fund its operations.]

Appendix 5

Information on how the transfer of the money will take place, from the financing source to the final recipient of the payment.

[The transfer of money for the acquisition of Traction and operational funds, will be international wire transferred from ABSIG's account at Commerce West Bank, Irvine, California to the appropriate accounts in Sweden.]

Information on whether there is any cooperation with any company in terms of the financing of the acquisition.

None

Section 4

If the acquisition means that the acquirer gains controls of the target company, then this information shall be provided as set forth under 4.1.

An acquirer has control of the target company if the acquirer directly or indirectly receives the majority of the votes or shares. Furthermore, an acquirer has control of the target company if they are shareholders and:

- have the right to appoint or dismiss a majority of the members of the target company's administrative body, managerial body or supervisory board or
- through agreements with other partners of the target company control more than half of the votes for all shares or participations.

3 Specification 1b

If the acquisition does not lead to control of the target company but that the share amounts to 20 per cent or more, the information set forth under 4.2. shall be provided.

If the acquisition means that the holding amounts to less than 20 per cent but remains a qualifying holding, the information set forth under 4.3 shall be provided.

If Finansinspektionen requires additional information for its assessment of the acquirer's suitability, Finansinspektionen can request information to be submitted regardless of that stated above in accordance with sections 4.1 or 4.2.

4.1 Qualifying ownership which entails control

[Business plan of Traction Fonder AB is attached hereto]

Appendix 6

Append a business plan which contains:

1.
A strategic development plan with a description of:

- a) the objectives of the acquisition and how these will be attained,
- b) financial goals of the acquisition,
- c) planned changes of the operations, e.g. products, customers and any transfer of assets,
- d) planned integration of the target company in the acquiring group and
- e) information regarding the acquirer's intention and ability to inject capital to the target company if such would be required.

1.
Forecasts for the next three years, both for the target company and any group which the target company belongs to, for:

- a) balance sheet and profit and loss accounts,
- b) significant key ratios and
- c) solvency or capital requirement calculation (including an internal capital adequacy assessment, so-called ICAAP).

1.
A description of how the acquisition will affect governance and organisation in the target company. Specify whether the acquisition is going to affect:

- a) structure of the board of directors and corporate management.
- b) the organisation's operative structure (append the organisation chart),
- c) outsourced operations.

4 Specification 1b 5

4.2 Qualifying ownership which does not entail control, but which amounts to 20 per cent or more

Append the following information:

- a) information on whether the acquirer intends in the foreseeable future to increase or decrease his or her holdings in the target company,
- b) information on whether the acquirer intends to act as an active minority owner and in such a case the basis for this,
- c) information on whether the acquisition means that the target company, together with the acquirer, will be a part of a financial group or insurance group and forecasts for the group consisting of:
 - balance sheet and profit and loss accounts,
 - significant key ratios,
 - solvency or capital requirement calculation (including an internal capital adequacy assessment, so-called ICAAP).

4.3 Qualifying ownership that is less than 20 per cent

Append the following information:

information on whether the acquirer intends within the foreseeable future to increase or decrease his or her holding in the target company and

information on whether the acquirer intends to act as an active minority shareholder and in such a case which objectives the acquirer has.

About the application

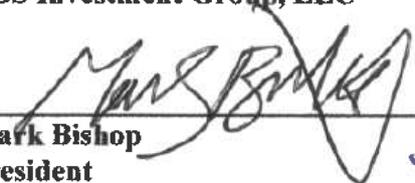
The application shall be signed by the acquirer, certifying that the information submitted is correct and complete.

In the event that identical information has already been submitted to Finansinspektionen in another matter, please refer to this by stating the registration number and what information it deals with.

Please note: In conjunction with the ownership assessment, Finansinspektionen will obtain information from, e.g. Rikspolisstyrelsen (Swedish National Police Board), Bolagsverket (Swedish Companies Registration Office), Skatteverket (Swedish National Tax Board) and Kronofogdemyndigheten (Swedish Enforcement Authority).

The content of this Ownership Assessment Application is approved by:

ABS Investment Group, LLC



Mark Bishop
President

July 16, 2012

FINANSINSPEKTIONEN

Ink. 2012 -07- 20

Dnr.

ABS Investment Group MBS/ABS Primer

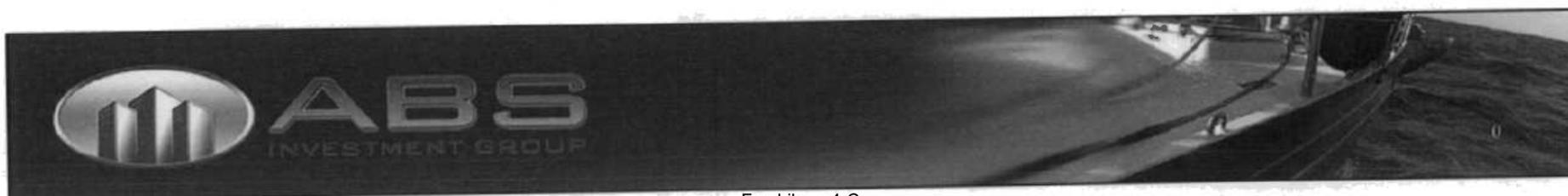


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I. Mortgage Overview



The Mortgage

- ◆ A mortgage is a contract under which a borrower (the mortgagor) pledges a structure and/or a piece of property as collateral for a loan from a lender (mortgagee).
 - The contract includes a loan amount, an interest rate, a frequency of payments and a loan term.

- ◆ This contract gives the lender the right to foreclose on the loan and seize the property in the event that the mortgagor fails to make the contractual payments. Such failure is called a default.

- ◆ Typical mortgage originators (lenders) include commercial banks, thrifts, and mortgage bankers.
 - Originators earn income by charging an origination fee (measured in percentage points, paid by the mortgagor at the closing), application fees and processing fees.

- ◆ Four types of properties that can be collateral for mortgages:
 - Residential real estate
 - Single family (one-to-four-family) (houses, mobile homes)
 - Multi-family (more than four-family) (condominiums, cooperatives (co-ops))
 - Non-residential real estate
 - Commercial (office buildings, shopping centers, hospitals, industrial plants)
 - Farm properties



Mortgage Contract Characteristics

◆ Amount

- The amount of the loan is usually lower than the value of the property used as collateral.
- The ratio of the loan amount to the value of the underlying collateral is called the loan to value ratio (LTV).
 - The lower this ratio, the more protection the mortgagee has, because the higher property value is backing a smaller loan. In the case of default, the mortgagor has a better chance of recovering the entire loan amount upon foreclosure and sale.

◆ Term

- The term of a mortgage can vary; however, the most common mortgages have 15- or 30-year maturities (more recently 40-year due in 30-year to conform to securitization regulatory rules).
- The term of the loan is critical in determining the periodic payments.
- All else being equal on a flat payment structure, the longer the loan term, the less each payment will be and the more total interest will be paid over the life of the loan.

◆ Frequency of Payments

- Most mortgages have monthly payments; however, a payment schedule is determined at the origination of the mortgage and expressed explicitly in the mortgage contract.
- Throughout this presentation, we assume payments are remitted monthly.



Mortgage Contract Characteristics

◆ Rate

- Mortgage rates are the cost to a mortgagor for borrowing money. This rate is referred to as the interest on the mortgage.
- Rates are quoted annually, but paid in installments determined in the contract (frequency of payment), usually monthly.
- Rates can be fixed for the life of the loan, they can float based on an index and a spread, or they can be fixed for a set period and then begin to float. Floating rate mortgages typically have life caps as well as periodic caps.
- The main characteristics used in determining mortgage rates are:
 - Type;
 - Loan amount;
 - Prevailing rates (can vary by locale); and
 - Creditworthiness as measured by:
 - FICO score (300 to 850, higher is better) calculated by companies such as Experian, Trans Union, and Equifax;
 - Loan-to-value ratio (lower is better);
 - Debt-to-income ratio (lower is better);
 - Payment-to-income ratio (lower is better).



Mortgage Contract Characteristics

◆ Payment Schedule

- Several schedules can be used to guarantee full payment of principal by the maturity date.
 - The most common is a flat amortization schedule: Monthly payments are flat and principal is paid down after interest has been fulfilled.
 - Earlier in the mortgage, more of each payment is used to pay interest; at the end of the mortgage term, almost all of each payment is used to pay down principal.
 - In a floating rate mortgage, when the rate re-sets, the monthly payment increases or decreases accordingly to guarantee the mortgage fully amortizes.
 - Another type of payment schedule is a balloon structure.
 - The balance does not amortize fully, and the remaining principal is paid in a lump sum at maturity.
 - In an interest only mortgage, only interest is paid until the maturity date, when the face amount of the mortgage is due.



Prepayment Option

- ◆ Mortgagors have the right to reduce principal ahead of schedule, which is called a prepayment option.
 - Any payments made by the borrower in excess of scheduled payments are called prepayments. Cash ultimately obtained from a default and foreclosure sale of property constitute prepayments as well.
 - Prepayments may occur for one of several reasons:
 - Refinancing into a new mortgage with a lower interest rate;
 - Sale of property because of relocation or a move to a new house;
 - Defaults;
 - Partial prepayments (curtailments); or
 - Homeowner motivations beyond rational economic (interest-rate related) considerations, which play an important role in assessing prepayment risk.



II. MBS/ABS Overview



Mortgage-Backed Security

- ◆ An MBS is when a number of mortgages that are similar in amounts, terms, rates, and structure are combined into a single group.
- ◆ Mortgage documents associated with this group are transmitted to a custodian, reviewed by a trustee, and are assigned an identification (pool) number by an issuing entity (described in greater detail in following sections).
- ◆ An MBS is issued with a face amount equal to the cumulative outstanding principal balance of the mortgages (original balance) and with certain characteristics such as bond coupon.
- ◆ The mortgages that have been pooled together serve as the collateral for the security.
- ◆ Because loans underlying a pool are similar but not identical, properties of an MBS must be described using weighted averages by face value:
 - WAM – weighted average maturity;
 - WAC – weighted average coupon; and
 - WALA – weighted average loan age.
- ◆ The MBS assumes the same characteristics as the collateral that secure the principal and interest payments.
 - Bonds that are based on collateral with fixed rates are called fixed rate MBS.
 - Bonds that are based on collateral with floating rates are called adjustable rate mortgage-backed securities, or ARMs
 - Bonds that are based on collateral with a fixed period and then a floating period of rates are called hybrid MBS. The most common hybrid MBS are 3/1, 5/1, 7/1, and 10/1, meaning a fixed period of 3, 5, 7, and 10 years, respectively, and then a rate reset every year.



Benefits of Securitization

Issuer Incentives

- ◆ More efficient use of capital;
- ◆ Increased velocity of origination (origination fee and servicing fee) ;
- ◆ Greater balance sheet liquidity;
- ◆ Funding diversification;
- ◆ Asset-liability management;
- ◆ Gain on sale accounting treatment (FAS#140);
- ◆ Ability to manage portfolio growth; and
- ◆ A business exit strategy.

Investor Incentives

- ◆ Yield premium over
 - Treasuries
 - Corporate
 - Event-risk protection to corporates
- ◆ Stable Ratings
- ◆ Inherent Diversification
- ◆ Generally low prepayment risk relative to MBS market
- ◆ Limited credit risk
- ◆ Liquidity.



Prepayments

- ◆ Mortgagors have the statutory right to re-finance at their discretion, notwithstanding prepayment penalty mortgages (PPMs). This is called the prepayment option.
- ◆ Prepayments are usually the most important factor in valuing MBS.
- ◆ Prepayments affect MBS through *call risk* and *extension risk*.
 - Call risk occurs when monthly cash flows are earlier than expected and hence the weighted average life of the bond is shortened. This is caused by higher-than-expected prepayments:
 - This benefits the holder of a discount MBS (i.e., the holder bought the MBS for less than face principal value – below par), as principal purchased below par is returned early at par.
 - This harms the holder of a premium MBS (i.e., the holder bought the MBS for more than face principal value – above par), as principal purchased above par is returned early at par.
 - Extension risk occurs when monthly cash flows are slower than expected and hence the weighted average life of the bond is extended. This is caused by lower-than-expected prepayments:
 - This harms the holder of a discount MBS, as the lower prepayments prolong the period of below-market coupon payments.
 - This benefits the holder of a premium MBS, as the lower prepayments prolong the period of above-market coupon payments.
- ◆ Reinvestment risk
 - Prepayments are greater when interest rates are low, causing cash from MBS to be returned faster from above market mortgages.
 - This creates the problem of having unexpected cash to reinvest in securities with lower yields.



Prepayments Measurements

- ◆ The following are commonly used prepayment measurements:
 - SMM (single monthly mortality rate):
 - Percentage of mortgages outstanding at the beginning of the month that are prepaid during the month.
 - CPR (conditional prepayment rate):
 - SMM expressed at an annual rate: $CPR = 1 - (1 - SMM)^{12}$
 - PSA (Public Securities Association):
 - A CPR ramp model that accounts for seasoning of the loans and is modeled off of prepayment relocation assumptions.
 - This ramp is made up of annualized prepayment rates of 0.2% CPR in the first month, 0.2% increases in every month thereafter until the 30th month, when the rate reaches 6% and stays at this level.
 - This model acknowledges that prepayment assumptions will change; hence PSA is thought of as a baseline and referenced with a % difference (i.e., 120% PSA assumes 20% higher prepayments than PSA alone).
 - This baseline can be estimated by the prepayment history of deep discount coupons, as prepayments on such coupons primarily reflect housing turnover.
 - At a lower-than-market coupon, home owners do not have an incentive to refinance.
 - % of PSA is used to reflect views on future changes in the refinancing incentive.



ABS
INVESTMENT GROUP

Prepayments Variables

◆ Burnout

- Borrowers who are usually the first to refinance and drop out of a mortgage pool generally:
 - Are more sophisticated financially (optimally exercising their option to refinance);
 - Face lower refinancing costs;
 - Have more built-in equity in their homes;
 - Have higher incomes.
- As a result, for the same refinancing incentive, more-seasoned pools show slower prepayment speeds. This is generally referred to as Burnout.
 - As seasoned premium mortgages accumulate more burnout and thus are less sensitive to declines in mortgage rates, prepayment risk is generally lower.
 - Because of the perceived lower optionality, investors usually are willing to pay more for vintage premiums than for new origination of the same coupon.



Modeling Prepayments

- ◆ A large variety of mortgage and market data are available for study, including:

- Loan types;
- Coupons;
- Vintages;
- Dollar balances;
- Mortgage rates;
- Shape of the yield curve;
- Refinancing alternatives;
- Prepayment costs;
- Housing values;
- Tax rates;
- Regulations; and
- Others.

- ◆ A prepayment function is generally based on four sub-models of homeowner prepayment decisions:

$$\text{Prepayments} = \{\text{Refinancings}\} + \{\text{Relocations}\} + \{\text{Defaults}\} + \{\text{Curtailments}\}$$

- ◆ Different types of mortgages (i.e. FNMA or GNMA) require different prepayment functions.



Modeling Prepayments

- ◆ Prepayment functions are generally estimated by fitting actual prepayment speeds to various key variables, including:
 - Level of interest rates in various products;
 - Shape of the yield curve;
 - Mortgage spreads;
 - Refinancing costs (fees, up-front points);
 - Loan age, seasonal factors; and
 - Macroeconomic factors such as housing prices, aggregate income, etc.

- ◆ Prepayment models should:
 - Consistently track absolute prepayment rates;
 - Consistently track relative prepayment rates (achieve consistent results across various mortgage types, coupons and vintages);
 - Be robust in treating prepayment outliers; and
 - Be able to update models to reflect structural changes in the mortgage market.

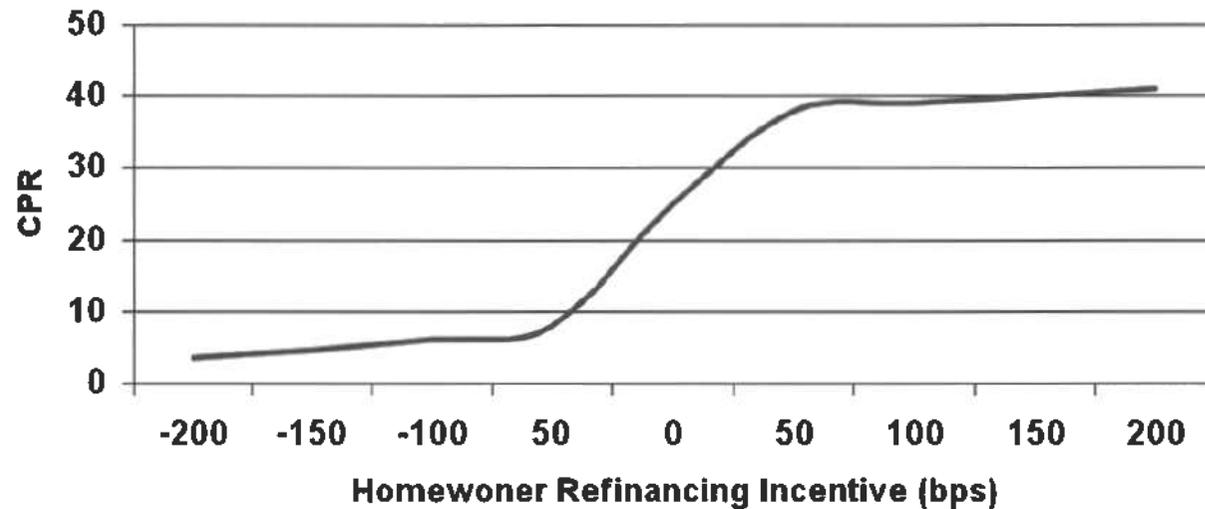
- ◆ In practice, prepayment models are less than perfect. Hence, the MBS valuation is always subject to prepayment model risk (the risk that prepayment predictions are systematically biased).
 - One known area of possible prepayment model risk, is that mortgagors usually do not or cannot optimize their right to exercise their prepayment options.



Modeling Prepayments

◆ Refinance S Curve

- Borrowers have various thresholds for refinancing under different incentives.
- Refinancing speeds are determined by measuring the difference between a borrower's mortgage rate and the current market mortgage rate.
- The following curve was developed as a general guideline to when borrowers refinance; however, each different type of mortgage pool has its own curve.



Modeling Prepayments

◆ The Output

- To value an MBS, you must estimate the cash flows in future months; however, cash flows depend **on** future interest rates - both on their levels **and** on the paths they took to reach those levels.
- One way to model these cash flows is to assume that future rates implied by the forward curve will be realized:
 - At each payment date there will be a yield curve implied by forwards.
 - By using this yield curve in combination with a separate model of how mortgage rates respond to the yield curve, future refinancing incentive can be calculated.
 - Future prepayment rates can be found with the S-curve.
 - This will yield cash flows, which can be discounted to value the MBS.
- Problem: What if the forward rates aren't realized?



Modeling Prepayments

- ◆ Option-Adjusted Spreads (OAS)
 - In order to take this volatility and uncertainty of rates into account, a model to simulate future rate paths is used.
 - Mortgage rates are generated as a function of these simulated rates, using a separate model of mortgage spreads with respect to interest rates.
 - Prepayment rates, along each interest rate path, are calculated using the prepayment function, and mortgage cash flows (both scheduled and prepayments) are projected along each interest rate path.
 - These projected cash flows are then discounted at the spot rates along each interest rate path.
 - The option-adjusted spread (OAS) is then calculated by equating the average present value of projected cash flows under all the simulations to the market price of the security.
 - If two bonds are equal in many respects, then a high OAS implies relative cheapness and a low OAS implies relative richness.
 - Note that every prepayment model is different; hence, OAS is different based on these calculations.



Modeling Prepayments

◆ Embedded Option

- Owing to interest rate volatility, the prepayment characteristics of the underlying mortgages can create (or decrease) value.
- We can assume that interest rates have zero volatility and value an MBS along the base-case scenario: the forward mortgage rates curve.
- The spread that results between valuing the MBS along the forward mortgage rates curve and valuing the MBS along a LIBOR/swaps curve is called a zero volatility option adjusted spread (ZVO).
- This is the excess return over swaps that an MBS investor would earn if interest rates were non-random and the embedded option had no value.
- OAS, on the other hand, reflects the expected return when interest rates are volatile and the embedded option has value.
- The implied cost of the option embedded in an MBS is the difference between the ZVO and OAS (**ZVO = OAS + option cost**).



Convexity and Duration

- ◆ Convexity measures the sensitivity of a bond's price to larger changes in yield.
- ◆ Duration is the percentage change in the price of an MBS due to a 100 basis point change in yield. For example, the value of an MBS with a duration of 3 will decline about 3 points for each 100 basis point increase in interest rates.
- ◆ Therefore, convexity is the sensitivity of a bond's duration to changes in yield: $\Delta D = -C \times \Delta y$
- ◆ When looking at the price function of an MBS changing across small variations in yield, remember that prepayments will also vary.
- ◆ As yields fall, mortgage rates fall and prepayments rise (due to the refinancing incentive), which causes cash flows to increase in the near term and "shortens" the MBS. This will reduce duration.
- ◆ Conversely, as yields rise, mortgage rates rise and prepayments decrease, which decreases cashflows in the near term and "extends" the bond. This will increase duration.
- ◆ This reverse relationship is what causes negative convexity:
 - Holders of MBS generally do not want to be exposed to interest rate risk. They can hedge their MBS with another security such that as MBS prices fall (when yields rise), the hedged security's price rises, and vice versa.
 - The hedge has a duration opposite to that of the MBS.
 - Typically, the hedge is a short position in 10-year Treasuries or swaps.



III. Agency vs. Non-Agency



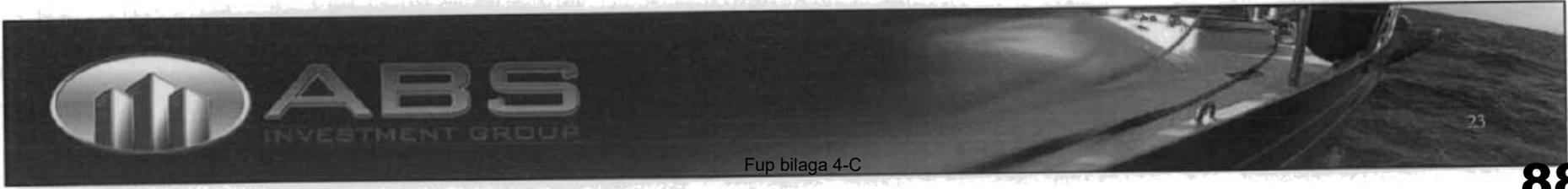
Agency vs. Non-Agency

- ◆ The primary bifurcation in MBS is between agency and non-agency collateral.
- ◆ Agency securities have underlying collateral that is guaranteed or insured by one of three government or government-sponsored agencies:
 - Federal National Mortgage Association or “Fannie Mae” (FNMA);
 - Federal Home Loan Mortgage Corporation or “Freddie Mac” (FHLMC); or
 - Government National Mortgage Association or “Ginnie Mae” (GNMA).
- ◆ Non-agency securities are excluded from these guarantees / insurance if they have certain characteristics, such as:
 - “Jumbo” loans – Fannie Mae and Freddie Mac cannot buy loans with balances exceeding a limit set annually by the US government: \$322,700 in 2003; \$333,700 in 2004; \$417,000 since 2006.
 - Loans on second properties – vacation homes, investment properties;
 - Loans with insufficient documentation; or
 - Loans where the borrowers have credit history problems.



Agency vs. Non-Agency Comparison

	FNMA and FHLMC	GNMA
Status	<ul style="list-style-type: none"> ◆ Guarantees are not backed by the full faith and credit of the US government, but it is unlikely the government would let either agency fail. ◆ They are public companies and their stocks are traded on the NYSE. ◆ The agencies have a funding advantage over other mortgage investors. ◆ Agency debt trades tighter to treasuries than that of competitors due to “implied” government backing and credit line of the US treasury. 	<ul style="list-style-type: none"> ◆ Wholly-owned entity of the Department of Housing and Urban Development (HUD). ◆ Backed by the full faith and credit of the US government.
Security Parameters	<ul style="list-style-type: none"> ◆ Conventional insured (non FHA/VA insured/guaranteed) <ul style="list-style-type: none"> — \$417,000 loan limit — 80% max LTV — Certain property types 	<ul style="list-style-type: none"> ◆ FHA (insured) / VA2 (guaranteed) mortgages



Agency vs. Non-Agency Comparison

Guarantee Fees

- ◆ 5-20 bps per annum for guaranteeing timely payment of principal and interest on these securities.

- ◆ 5-10 bps per annum for guaranteeing timely payment of principal and interest on these securities.

Mortgage Portfolio

- ◆ FNMA and FHLMC have the largest mortgage investment portfolios in the market.

- ◆ No investment portfolio.



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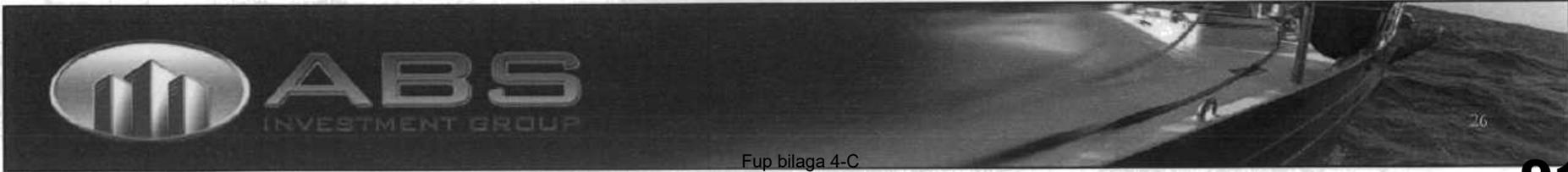
Non-Agency

- ◆ Non-agency MBS are not guaranteed / insured by the federal government.
- ◆ In order to achieve a triple-A rating, the bonds must have sufficient levels of credit enhancement. This can be achieved through:
 - Several structuring methods, which will be described later in this presentation. One of which is subordination.
 - Senior/subordinate structures create “levels” of bonds such that the lowest rated tranches absorb credit losses first and the most senior tranches only experience credit losses if all the subordinate bonds are completely written down.
 - Third party guarantees, which are letters of credit from financial institutions and bond insurance that guarantee timely payment of principal and interest against losses up to some specified level for a fee.
 - Cash reserves, where underwriting profits or a servicing spread is set aside to cover default losses. If this is not used, then the underwriter receives the fees at the maturity of the security.
 - Over-collateralization, where extra collateral is placed in the deal (e.g. \$110 million of mortgages backs \$100 million in bonds). Any extra collateral that remains at maturity is usually returned to the originator.



Agency vs. Non-Agency Characteristics

	Agency	Non-Agency
Credit Protection	Agency Guarantee/Insurance	Subordination, third-party protection, cash reserves, over-collateralization
Credit Rating	Aaa/AAA	Aaa/AAA for senior class; Aa/AA or lower for subordinate class
Interest Shortfall	No	Potentially if high prepayments
Cleanup Call	1%, seldom executed	Usually 10%, sometimes 1% to 5%
Liquidity	High	Low



IV. Collateral

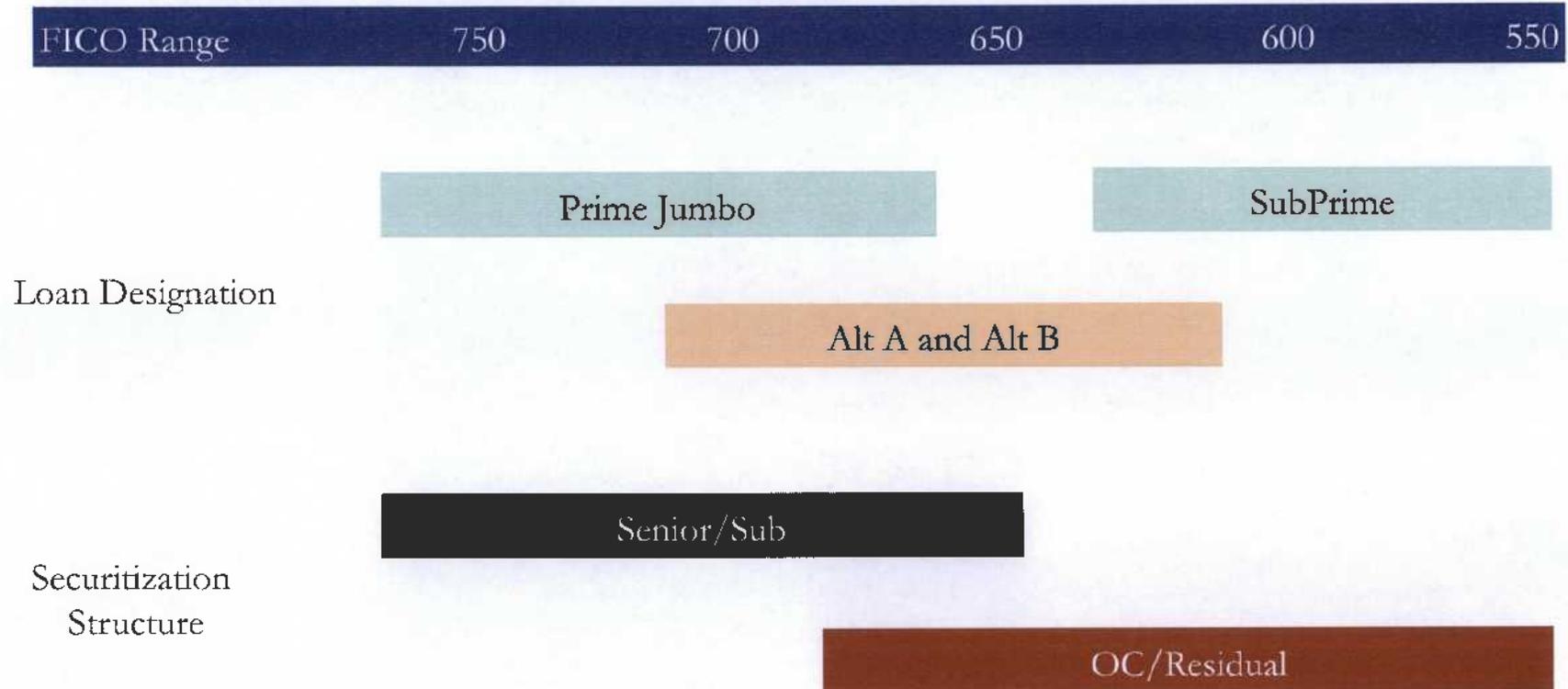


Collateral

- ◆ Mortgage loans may have many different characteristics, as described in the first section of this presentation.
- ◆ Loans that do not have the characteristics needed to qualify for agency guarantee / insurance, are often used as collateral for non-agency MBS.
 - Each pool of loans has similar characteristics, but pools are structured differently, and have different features and performance.
- ◆ The main types of non-agency-eligible collateral are:
 - **Jumbo** (prime and hybrid): Loans that are not qualified for agency guarantee / insurance because of loan size.
 - **Subprime**: Loans further down the credit spectrum.
 - **Alternative A (Alt-A)**: Loans in the middle-of-the-credit spectrum, missing documentation on prime borrowers and other characteristics that exclude these loans from being Prime.
 - **FHA/VA Reperforming**: Loans backed by GNMA that have been delinquent, bought out of the pool, and made to perform again, yet still do not qualify for securitization through FNMA or FHLMC.
 - **Scratch and Dent**: Exceptions to underwriting guidelines have been made in order to fulfill the loan (e.g. lower-than-acceptable FICO, impaired borrowers, etc.).



Collateral – Credit Spectrum



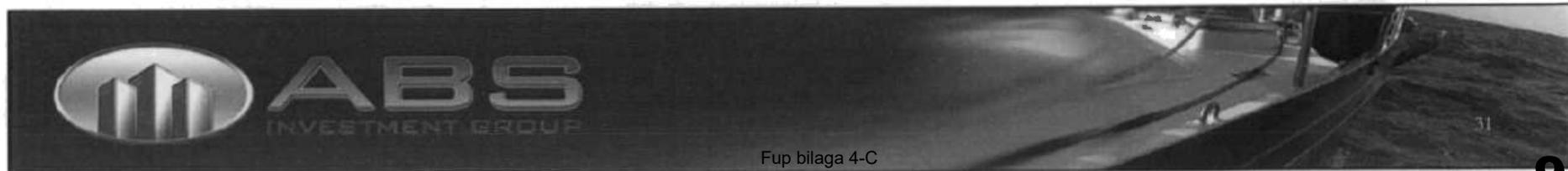
Collateral - Jumbo

- ◆ Jumbo loans have balances exceeding the limit for agency conforming insurance.
- ◆ Fixed and floating loans with this characteristic are called jumbo prime loans; hybrid rate loans are called jumbo hybrid ARMs.
- ◆ Characteristics typical of Jumbo loans are:
 - FICO: 700+
 - Documentation: full conforming
 - Past delinquencies: 0
 - LTV: 80%
 - Mortgage insurance: Over 80%
 - Credit subordination level: 1% - 4%
- ◆ Top Issuers include: Goldman Sachs & Co, Countrywide, Washington Mutual, Bank of America, Wells Fargo, GMAC-RFC, Impac, Chase, Redwood, Thornburg, First Horizon, ABN AMRO, IndyMac, GMAC, Citicorp, UBS Warburg, Lehman/SASCO, CSFB/ABSC, Bear Stearns, and Merrill Lynch.



Collateral – Jumbo Performance

- ◆ In a refinancing environment, prepays are generally faster because large monthly payments create a bigger refinancing incentive.
- ◆ Prepayment speeds are comparable or typically slower than agency collateral in a non-refinancing environment.
 - This creates a negative convexity worse than agency MBS.
- ◆ Banks like these types of loans because of their high credit quality, short duration, and wider spread than agency MBS.
- ◆ Agencies see these assets as fundamentally cheap, with wide OAS.
- ◆ Hybrid ARM MBS prepayments have closely tracked those of balloon loans (loans with an amortization schedule longer than the life of the loan, forcing a large payment at maturity).



Collateral – Alt-A

- ◆ Alt-A pools consist of mortgages that are between prime and subprime credit quality, or have other features that disqualify them from being classified as Prime.
- ◆ One way to look at Alt-A securities is by dividing them by:
 - Prime Alt-A: borrowers who are prime but missing documentation (self-employed, no employer references, etc.)
 - Non-prime Alt-A: strong subprime borrowers, sometimes called Alt-B
- ◆ Characteristics typical of Alt-A collateral are
 - FICO: 640 – 720
 - Documentation: limited
 - Past delinquencies: once in the past twelve months
 - LTV: 70% - 95%
 - Mortgage insurance: sometimes
 - Credit subordination level: 3% - 7%
- ◆ Top issuers include: GSAA, Countrywide, GMAC-RFC, IndyMac, Impac, CSFB, Lehman/SASCO, and Bear Stearns.



Collateral – Alt-A Performance

- ◆ Alt-A securities typically have slower CPR than MBS of jumbo prime collateral.
 - For Prime Alt-A, prepayments are typically slower than those of prime pools in the first year and mimic prime prepayments in later years.
 - Non-Prime Alt-A usually have prepayments similar to those of subprime initially, or slightly faster (since they do have better credit quality); then they speed up if their credit quality improves and the borrower can refinance at a prime rate.
- ◆ The Alt-A market usually has lower prepayment risk than a prime pool, and lower default risk than a subprime pool.
- ◆ In addition, the convexity of Alt-A securities is typically less negative than that of agency MBS because:
 - When yields are low, fewer borrowers refinance;
 - When yields are high, there is little refinancing incentive; and
 - While defaults are higher than Jumbo collateral, they are not near those of subprime collateral.
- ◆ Origination of Alt-A product has historically been counter-cyclical to movements in rates.



Collateral – Alt-A Market Color

- ◆ The Alt-A market has grown dramatically and this growth is expected to continue.
 - To maintain volume as refinancing declines, prime originators will expand downward in the credit spectrum while subprime originators will expand upward.
 - Originators are beginning to understand how to price Alt-A collateral more accurately.
 - The investor base has become more sophisticated in understanding the credit risk and higher coupon dynamics, and is now willing to pay more for these securities.

- ◆ The top four loan originators in the space represent 50% of the market (Countrywide, GMAC-RFC, IndyMac, and Impac).

- ◆ Over the last several years, prime originators and top sub-prime originators are actively developing Alt-A programs and underwriting guidelines:
 - Prime
 - Wall Street and Major Banks
 - Subprime
 - Ameriquest, New Century, and Fremont; Option One, Accredited and ABN Amro.

- ◆ It is interesting to note that as sub-prime originators enter the Alt-A market, they will be originating loans closer to the prime market, which are increasingly more rate sensitive.



Collateral – Subprime

- ◆ The borrowers in these pools may have **credit stories**, prior late payments on their mortgages, prior bankruptcies, or general problems with their bill paying histories.
- ◆ Typical characteristics of Subprime MBS are:
 - FICO: 500 – 640
 - Documentation: Full or Limited
 - Past delinquencies: Up to 120 days
 - LTV: 80%
 - Mortgage insurance: rarely over 80%
 - Credit subordination level: 15% - 20%
- ◆ Top issuers include: GSAMP, Ameriquest Mortgage, New Century, Lehman/SASCO, GMAC-RFC, Option One, CSFB/ABSC, Countrywide, Chase, First Franklin, WAMU, Novastart Mortgage, WMC Mortgage, Citigroup, and Household Financial.
- ◆ Note that 80% of these loans are hybrid fixed / floating, with two to three year fixed periods.
- ◆ A growing number of these loans are interest only.



V. MBS Structures



MBS – Pass Thrus

- ◆ Agency MBS are initially issued in pass-through form.
 - In a pass-through security, the interest and principal payments of the underlying collateral are passed to the security investor, less a servicing fee.
 - Fixed FHLMC pass-through securities are called Gold PCs, and floating securities are called Arm PCs.
 - FNMA pass-thrus are referred to as Fannie Mae MBS.

- ◆ Securities are traded in either a To Be Announced (TBA) format or by specifying a particular characteristic or pool number.
 - TBA securities are the most liquid in the market, and are traded by coupon. The actual security that is delivered is determined by the seller on the settle date, hence the To Be Announced acronym.
 - A specific pool vintage, or issuance, of a security can also be traded, and usually trades at a premium to a TBA security of the same coupon.

- ◆ Structured products with various characteristics can then be created utilizing these pass-thrus.

- ◆ Non-agency collateral are called whole loans before they are securitized.
 - Pools of loans might be sold in the market in a whole loan bid, or securitized by the originator.
 - Pass-thrus can be created out of this collateral, in addition to more structured products.



MBS – Collateralized Mortgage Obligations (CMO)

- ◆ CMOs are created by pooling mortgage pass-thrus or mortgage whole loans and splitting their cash flows into a number of tranches.
- ◆ A CMO is self-supporting, i.e. the collateral cash flow is able to meet the tranches' cash flow requirement.
- ◆ Tranches vary by:
 - Average life;
 - Coupon;
 - Stability;
 - Prepayment risk; and
 - Credit Rating.
- ◆ CMOs have a broad range of investors, because they are able to satisfy disparate investor's needs for cash flows with varying levels of average lives, coupons, and stability profiles.
 - Banks typically invest in securities with the shortest average life.
 - Money managers usually invest in intermediate average life securities.
 - Insurance companies generally favor securities with the longest average life.

MBS – CMO

- ◆ There are agency and non-agency CMOs, just as there are agency and non-agency MBS.
 - Agency CMOs carry the same guarantee / insurance as agency MBS.
 - There is no need for credit enhancement in these structures owing to the agency guarantee / insurance; so tranching is used to create bonds of different average lives or performance characteristics.
 - CMOs created out of whole loans do not carry the agency guarantee / insurance and are structured to create credit enhancement in addition to different average lives and performance characteristics.

- ◆ Some examples of CMOs are:
 - Sequential pay classes;
 - Planned amortization classes (PAC);
 - Targeted amortization classes;
 - Support Classes;
 - Z bonds;
 - Accretion-direct classes;

- ◆ Floaters and inverse floaters; and

- ◆ Interest only / principal only.



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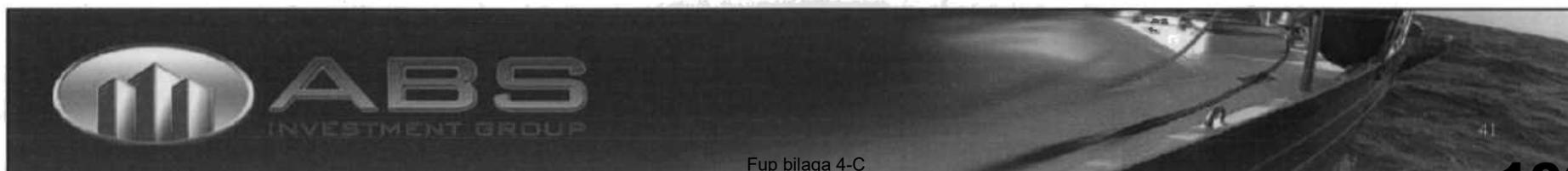
MBS – CMO: Sequential

- ◆ The vanilla CMO creates tranches with sequential pay classes.
 - Cash flow from the underlying collateral (mortgages or MBS) is used to pay interest to all classes.
 - The first tranche, or the tranche with the shortest average life, receives all collateral principal payments (scheduled and prepayments) until the class is retired.
 - Then, all principal payments are used to pay down the second tranche, and so on until all bonds have been fully paid.
- ◆ The primary purpose of this structure is to create MBS with varying average lives and to redistribute prepayment risk.
 - The first tranche has the shortest average life, and each tranche remaining has a longer average life.



MBS – CMO: Planned Amortization Classes

- ◆ PACs are a type of tranche in a CMO structure. They are designed to stabilize bonds because they can support a range of prepayment assumptions through a pre-determined schedule of payments.
- ◆ CMOs with these tranches:
 - First pay interest to all classes;
 - Next, allocate cash based on a pre-determined principal payment structure that relies on different prepayment speeds until the PACs are paid down.
 - Support tranches, called companion classes, support this payment schedule by either accepting prepayments, or paying out needed principal.
- ◆ PAC IIs have been developed as the marketplace has become more sophisticated and sensitive to unexpected prepayments.
 - PAC IIs are generally protected by supports, but also act as protection for PACs.
 - This creates higher yielding bonds, that are more stable than companion classes.
- ◆ TACs, or targeted amortization classes, are similar to PACs in that they pay bondholders according to a schedule; however, they are insulated from a tighter range of prepayment speeds, usually a single speed.
 - If principal cash flow exceeds the scheduled payment to the TAC tranche, then support classes will absorb the extra cash flow; however, if cash flow falls below the level needed for the scheduled payment, the extra cash will not be produced, and the bond will extend.
 - Hence, they are insulated from call risk, but not from extension risk.
 - These bonds offer protection against the call option of prepayments, but with a higher yield than PACs since they do not have extension protection.



MBS – CMO: Z Bonds

- ◆ Z bonds are CMO classes that have the ability to pay their interest payments to another class while accreting in principal.
 - Z bonds will not receive principal until the bonds prior to it in the CMO cash waterfall have been retired.
 - Unlike other CMO classes, the Z bond will not pay interest to its bondholder while bonds prior to it in the waterfall are outstanding. Instead, its interest is used pay down the principal of another bond in the structure (an accretion directed class). Simultaneously, the Z bond will add this amount to its principal balance, a process called accreting.

- ◆ Z bonds typically increase principal payments of the accretion-directed classes in the structure, hence shorting their average lives. The larger the Z bond in a CMO structure is, the shorter the lives of the accretion-directed classes are.

- ◆ An accreting Z bond will generally have a longer duration than a non-accreting bond with the same average life and similar structure (for the same mathematical reason a zero coupon treasury has a longer duration than a coupon-bearing treasury of the same maturity).



MBS – CMO: VADM

- ◆ VADM structures were created to limit extension risk if rates rise and prepayments slow down.
- ◆ In a VADM bond, payments are scheduled within a prepayment band; however, the range includes 0% PSA.
 - There generally is no extension risk and VADMs mature on their stated maturity date.
 - VADM structures are found only in CMOs with Z bonds. This is because all of their cash flows come from the period of lockout from the Z bond while the interest is creating accretion.
- ◆ If the Z bond is large enough to support a VADM class, then one will exist.
 - A VADM bond comes before the Z bond in the priority structure, but after the senior bonds and PACs in the cash flow waterfall.



MBS – CMO: Mortgage Derivatives

- ◆ “IO / PO” or interest only and principal only strips are a kind of mortgage derivative. Most other derivatives can be created from IOs and POs.
- ◆ In structuring collateral, payments can be “stripped” into interest cash flow streams and principal cash flow streams.
 - IO/PO strips can also be re-combined back into collateral.
 - The Price of IO + Price of PO = Price of Collateral and consequently, efficient market pricing mechanisms exist.
 - Note that this price enforcement does not usually exist in the REMIC market where CMOs regularly trade “behind creation.”
- ◆ Investors in IO/POs structures include:
 - Money managers, who usually buy IOs or POs to enhance portfolio performance.
 - Hedge funds, who often use IOs and POs to perform relative value trades, as well as express their own views on basis, carry, prepayments, and volatility.
 - Mortgage bankers, who typically buy POs to hedge servicing.
 - Insurance companies, who typically use IOs and synthetic premiums to enhance portfolio performance.
 - Commercial banks, who sometimes use IOs to manage overall portfolio duration and enhance returns in a higher rate environment.
 - Mortgage Agencies, who can use them to manage their portfolios.



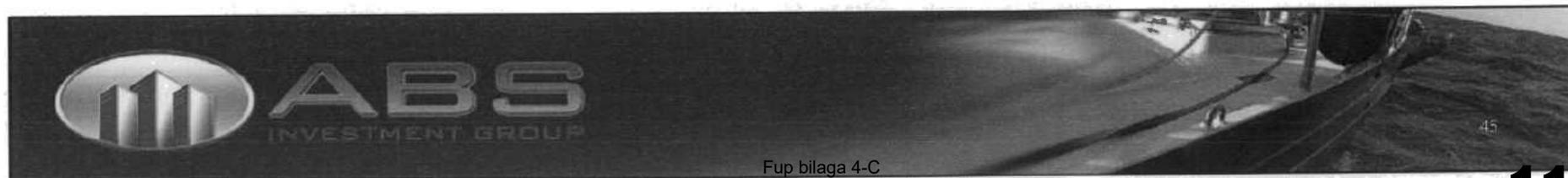
MBS – CMO: I/O and P/O

- ◆ When rates rise, prepayments generally decrease, which causes the bond to extend.
 - Generally, this will increase the value of the IO since there is more cash flow, and
 - Typically will decrease the value of the PO since POs are purchased at a discount to par and the par payment is now received further out in the future.

- ◆ When rates fall, prepayments typically increase, which causes the bond to shorten.
 - This generally decreases the value of the IO since there is less cash flow, and
 - Generally increases the value of the PO since cash is returned at par more quickly.

- ◆ Owing to this relationship, the duration and convexity of IO and PO bonds are typically as follows:

	Duration	Convexity
IO	Negative	Negative
PO	Positive	Positive
Pass-Thru	Positive	Negative



MBS – CMO: I/O and P/O

- ◆ IOs and POs can be used in carry trades.
- ◆ Rate of Return Hedge:
 - An investor can add an IO to a fixed income portfolio.
 - This can reduce the duration of the portfolio using the negative IO duration previously discussed. The reduced duration may help flatten out the portfolio's rate of return across different yield curve shifts.
- ◆ Synthetic Premiums:
 - An investor can generally boost the coupon of a TBA pass-through by adding an IO to it.
 - For example, by adding 100 bp of a 5.5% IO to a FNMA 5.0, a 6% pass-through is synthesized. This 6% synthetic premium may be cheaper than the FNMA 6.0.
- ◆ Combo Strategy:
 - An investor can buy an IO and a PO of different trusts.
 - For example, the investor can buy a 5.5% IO and a 5.0% PO. This indicates that the investor believes FNMA 5.5s will prepay slower than the market consensus, and FNMA 5.0s will prepay faster.



MBS – CMO: Floaters/Inverse Floaters

- ◆ In addition to separate interest and principal strips, it is also possible to have the coupon of an MBS float with an index.
- ◆ A fixed interest rate on a given tranche is proportionally allocated into a floating rate class and an inverse floating rate class such that together, the original interest coupon will stay the same.
 - The floating rate part of the class resets periodically (usually monthly) at a spread to LIBOR or other indices like CMT or COFI. The inverse floating rate class moves in the opposite direction to maintain the same combined fixed rate.
 - Caps and floors usually exist.
- ◆ There are numerous reasons to own floaters:
 - Their generally high credit rating (agency or AAA).
 - Usually attractive spreads (margin) versus funding costs.
 - Floaters are useful in a rising rate environment or in a flattening yield curve one.
 - There is considerable variety in the structure of CMO floaters.
- ◆ Floaters are usually priced at or close to par.
- ◆ Floaters are generally sold to achieve financing of an MBS (passthru or CMO) that:
 - Can be permanent; or
 - Can be superior to the repo market
 - These derivatives are usually created from higher yielding collateral and structure to take advantage of the implicit leverage.



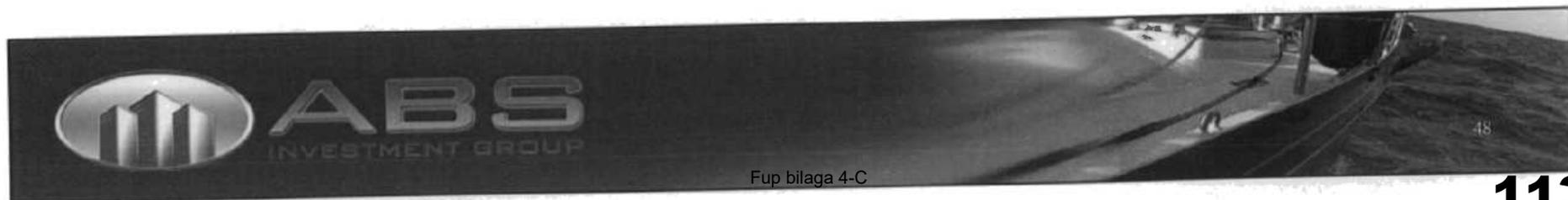
Mortgage Options

- ◆ A standard mortgage option contract specifies
 - Collateral: Program, maturity and coupon.
 - Type: Call or put.
 - Strike price: Strikes are usually quoted relative to the standard forward settlement price as of the option expiry date.
 - Expiration date: The standard expiration date is seven business days before the standard settlement date during the month of option expiration. However, other expiry dates are possible.
 - If the option is exercised, the option holder/writer must accept/deliver TBA collateral.

- ◆ Mortgage options are usually short-term in nature and liquid, with average term to expiry of around two months (although they have reasonable liquidity up to six months).

- ◆ Mortgage options can assist with:
 - Managing portfolio duration, convexity and volatility.
 - Expressing views on relative value in mortgages versus other asset classes.
 - Taking advantage of implied mortgage volatility versus expected volatility.

- ◆ Large transaction volume is possible, and is often an important supply/demand factor in the passthrough market.



Mortgage Options - Participation

- ◆ **Mortgage Originators:**
 - Are typically buyers of mortgage puts in order to protect their origination pipeline against rising rates.
 - Are typically buyers of calls to hedge potential fall-out risk (borrower or investor fails to close on the originated loan and it "falls out" of the pipeline).

- ◆ **Banks:**
 - Are typically sellers of calls to enhance portfolio yield which can usually be achieved through covered call writing.

- ◆ **Money managers and hedge funds:**
 - Usually buy and sell options to:
 - Attempt to adjust their portfolio duration and convexity.
 - In order to hedge mortgage and CMO holdings.
 - To make basis trades.

- ◆ **Dealers:**
 - Buy and sell options in order to try to be duration and convexity neutral.
 - As a proxy for purchasing the underlying collateral.



Mortgage Options Terminology

- ◆ Delta is similar to duration; and is the fraction of bonds that are expected to be delivered into an option.
 - Delta's of calls range from 0 to 1, where a deeply out of the money call might have a delta close to zero, implying that there is almost no chance that it will be exercised, an at the money call might have a delta of .5, meaning that one bond is expected to be delivered for every two calls that are held, so it is equally likely to be exercised or not.
 - Delta's of puts range from 0 to -1, where a deeply in the money put might have a delta close to -1, since it will almost certainly be exercised.

- ◆ Gamma measures convexity of options; and is the change in delta for changes in the price of the underlying security.

- ◆ Vegas are volatility sensitivity;
 - Vega is the change in price for a specified change in volatility assumption.
 - Vegas are typically small, given the short-dated nature of mortgage options.
 - Vegas are generally higher for options on lower coupons owing to the longer duration of the collateral.
 - Vegas are usually the highest for at-the-money options.

- ◆ Theta is the change in the value of the option if all of the above stay constant, i.e. the change in option price owing to passage of time.
 - The theta of a long option is negative, since as the date of expiration approaches, the value of the option goes down.



VI. ABS Overview



Asset-Backed Securities (ABS)

- ◆ Similar to an MBS, an ABS is a collection of a type of asset (e.g. auto, student, credit card) combined into a group and evaluated using weighted average characteristics (WAC, WAM, WALA).
 - To date, credit card, auto, home equity, equipment, stranded costs, and student loans have been used as collateral in the majority of ABS transactions.
 - In an ABS, the bond partially derives its creditworthiness from this pool of underlying collateral.
- ◆ While the market is primarily comprised of triple-A securities, single-A and triple-B bonds account for about 10-15% of issuance.
- ◆ Approximately 75% of the market is floating rate.
- ◆ ABS and MBS capitalize on securitizations in similar ways. Some further reasons to securitize assets other than mortgages include:
 - Generally low prepayment risk relative to MBS.
 - Typically high liquidity, especially in benchmark issuers.
 - Structuring technology allows variety of credit, liquidity and prepayment risk profiles.
 - Spread curve (with respect to average life) is generally upward-sloping.



ABS – Fixed vs. Float

- ◆ Prior to the mid-1990's, many more fixed securities were issued, however floating rate deals are now predominant.
- ◆ The rise in floating rate issuance generally reflects the following:
 - ◆ Enhanced securitization technology;
 - ◆ Expanded asset classes;
 - ◆ Modified regulations;
 - ◆ Generally improved liquidity in the swaps market, allowing issuers to arbitrage relative value between fixed and floating rate issuance; and
 - ◆ Greater acceptance by global investors of floating rate ABS.



ABS – Structure

- ◆ Two predominant ABS structures are described below:
 - Sequential: Typically, after all interest payments have been made, principal is first paid to investors holding the first tranche of the security, and then the second, etc.
 - This is generally used as credit enhancement in a senior / subordinate structure.
 - Pro Rata: After all interest payments have been made, all classes receive principal payments weighted by the amount outstanding in each class.
 - Each month, principal is usually first paid to the classes with the shortest average lives, but only in the scheduled amount.

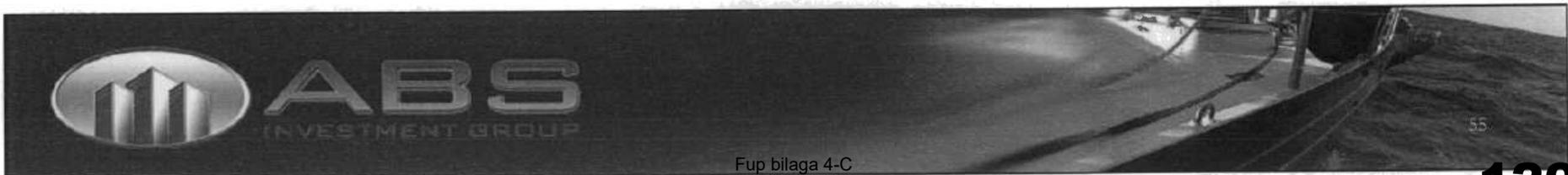


ABS – Tax and Trust

- ◆ The collateral of ABS are placed in a trust, which then issues securities.
 - Issuers such as banks are generally not subject to the bankruptcy code, so assets generally are transferred into a trust.
 - Other issuers that are subject to the bankruptcy code transfer the collateral into bankruptcy-remote special purpose corporations (SPC), which then transfer the assets into a trust.

- ◆ ABS can be offered publicly or privately. For tax purposes, securities are classified as either debt (notes) or undivided interests of the trust (certificates).

- ◆ There are different kinds of trusts that have different characteristics and benefits.
 - Grantor trust:
 - Pro rata pass-through structure, typically used for fixed pools of amortizing assets.
 - Generally prohibits active management of cash flows.
 - Owner trust:
 - Generally enables more flexible management of cash flows.
 - Transactions can be tranching (by time and credit) and targeted to specific investors.



ABS – Tax and Trust

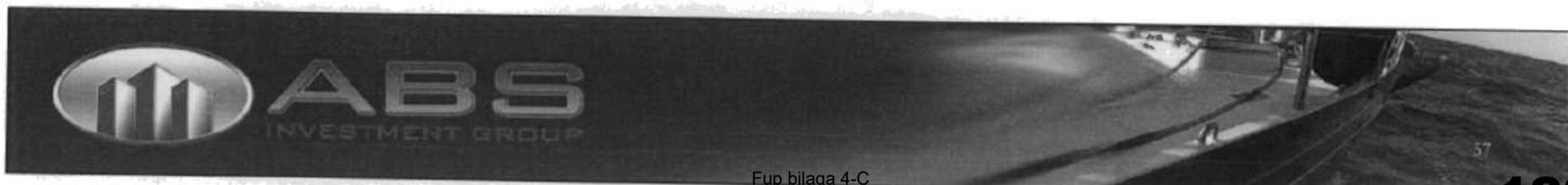
◆ Trust Type

- REMIC
 - A tax structure specifically designed for real-estate assets.
 - Used for liquidity purposes and typically is a gain on sale transaction at REITs.
- Master Trust:
 - Typically allows for prefunding and tranching (time and credit).
 - Generally used to achieve term funding for relatively short assets.
 - It is a revolving trust that can issue multiple series of securities supported by a single larger pool of assets that can create more principal balance while in the trust.
- If there is a reduction in the trust's net portfolio yield, then early amortization occurs (this is where principal is repaid as it is received, not according to scheduled payments).
- Credit cards, wholesale auto, home equity lines of credit, and commercial ABS are usually created from the Master Trust.



ABS – Home Equity Loans

- ◆ Home equity loans account for approximately half of ABS new issuance. Typical characteristics of home equity ABS include:
 - Collateral: First and second lien mortgages, closed end and lines of credit.
 - Structure: Fixed or floating, amortizing, REMIC trusts, sequentials, senior/sub.
 - Losses: Recoveries and losses generally depend on lien status.
 - Prepayments: Somewhat sensitive to changes in interest rates.
 - Credit enhancement: Subordination, over-collateralization, excess spread, and reserve accounts.
 - Typical Issuers: RFC, Countrywide, Chase, Long Beach.



VII. Securitizations



Securitization

- ◆ Securitization is the process of pooling mortgage loans and converting them into packages of securities with various credit ratings
- ◆ Originators sell whole loans to a trust by generating volume via flow or bulk purchases
- ◆ Trust issues rated, registered securities, which the dealer distributes to investors acting as securities underwriter,
- ◆ AAA rating is achieved through senior/subordinate structure, whereby a portion of the pool is subordinated to the rest with respect to realized losses,
- ◆ Dealer works with investors to structure various cash-flows to meet investor needs and requirements (reverse inquiry),
- ◆ Trust receives cash flows from underlying loans and distributes monthly to investors according to distribution rules,
- ◆ Dealers provide secondary trading liquidity, valuation and analysis.



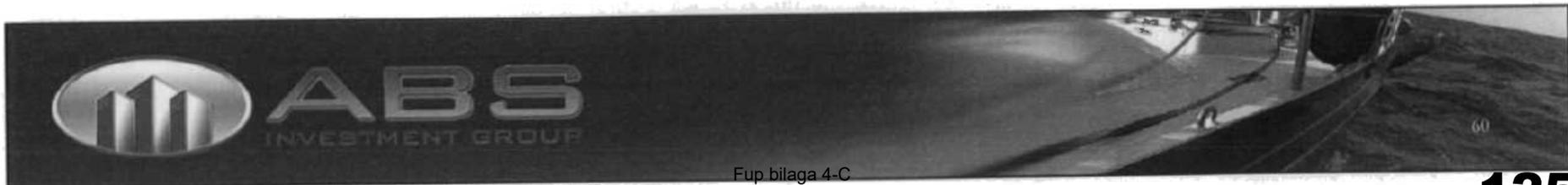
Securitization – Key Concepts

- ◆ Sponsor (Seller)
 - Company which originated/owned the assets
 - Seller's ratings should not impact deal, but structure must ensure protections in case of bankruptcy

- ◆ Depositor
 - Sometimes distinct from the sponsor, for purposes of establishing further bankruptcy-remoteness

- ◆ Servicer
 - Entity with contractual obligation to collect and administer receivables for life of deal.
 - Servicer can usually be replaced for non-performance.

- ◆ Assets/Receivables
 - Receivables that are identifiable and can be segregated. Should be documented and free of prior liens.
 - Should have sufficient history in order for rating agencies to assign credit enhancement levels



Securitization – Key Concepts

◆ Issuance Vehicle

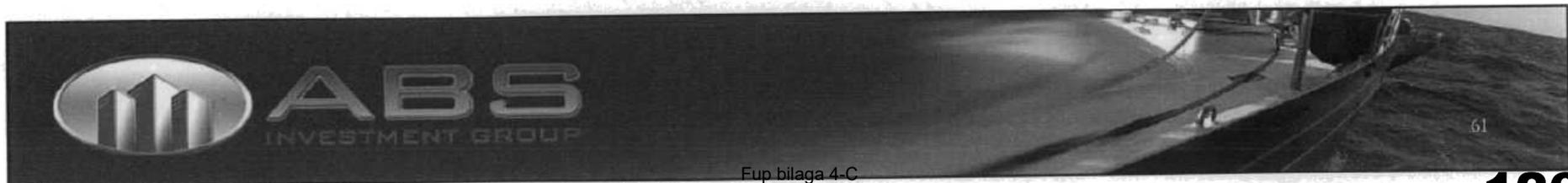
- Trust or special purpose vehicle that insulates investors from seller insolvency.
- Should enable de-recognition of assets for U.S. accounting (GAAP) without resulting in adverse tax consequences.

◆ Enhancement

- Internal or external mechanism to insulate investors from pool deterioration.
- Whether provided externally or internally, enhancement is sized to ensure timely payment of principal and interest at the desired rating level.

◆ Trustee

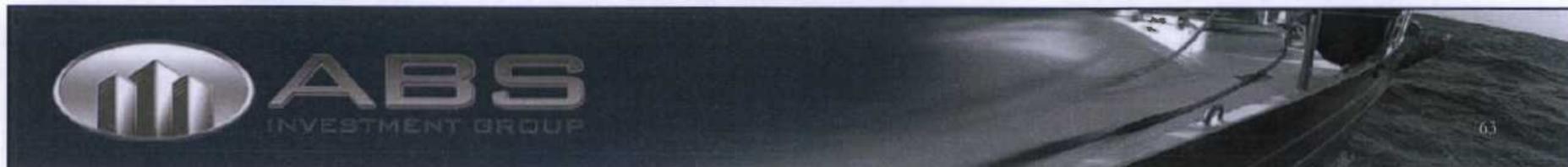
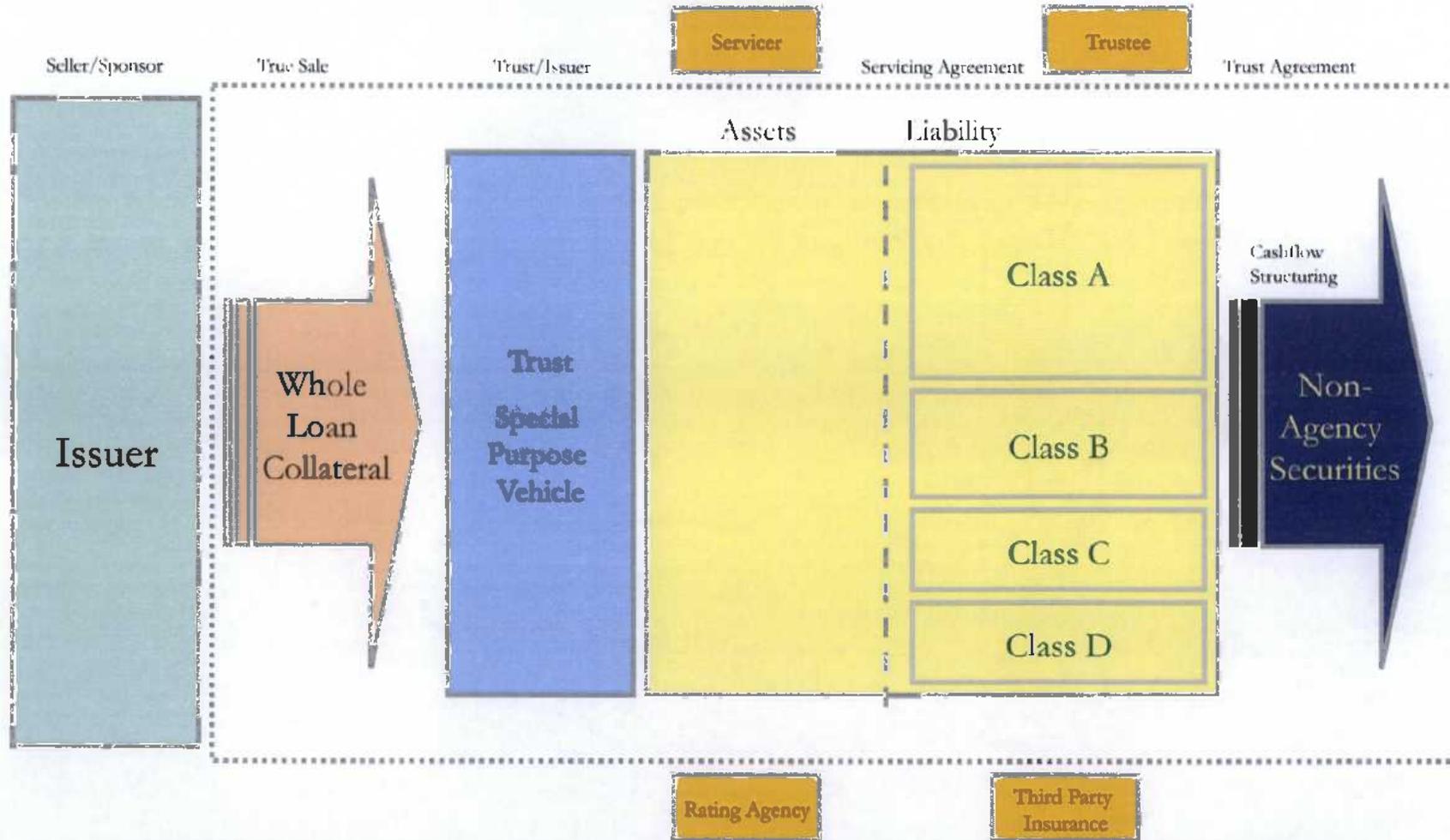
- Independent entity which ensures that all parties agree to the terms of the prospectus. Provides monthly reporting



Process Overview



Process Overview



Credit Enhancement Structures

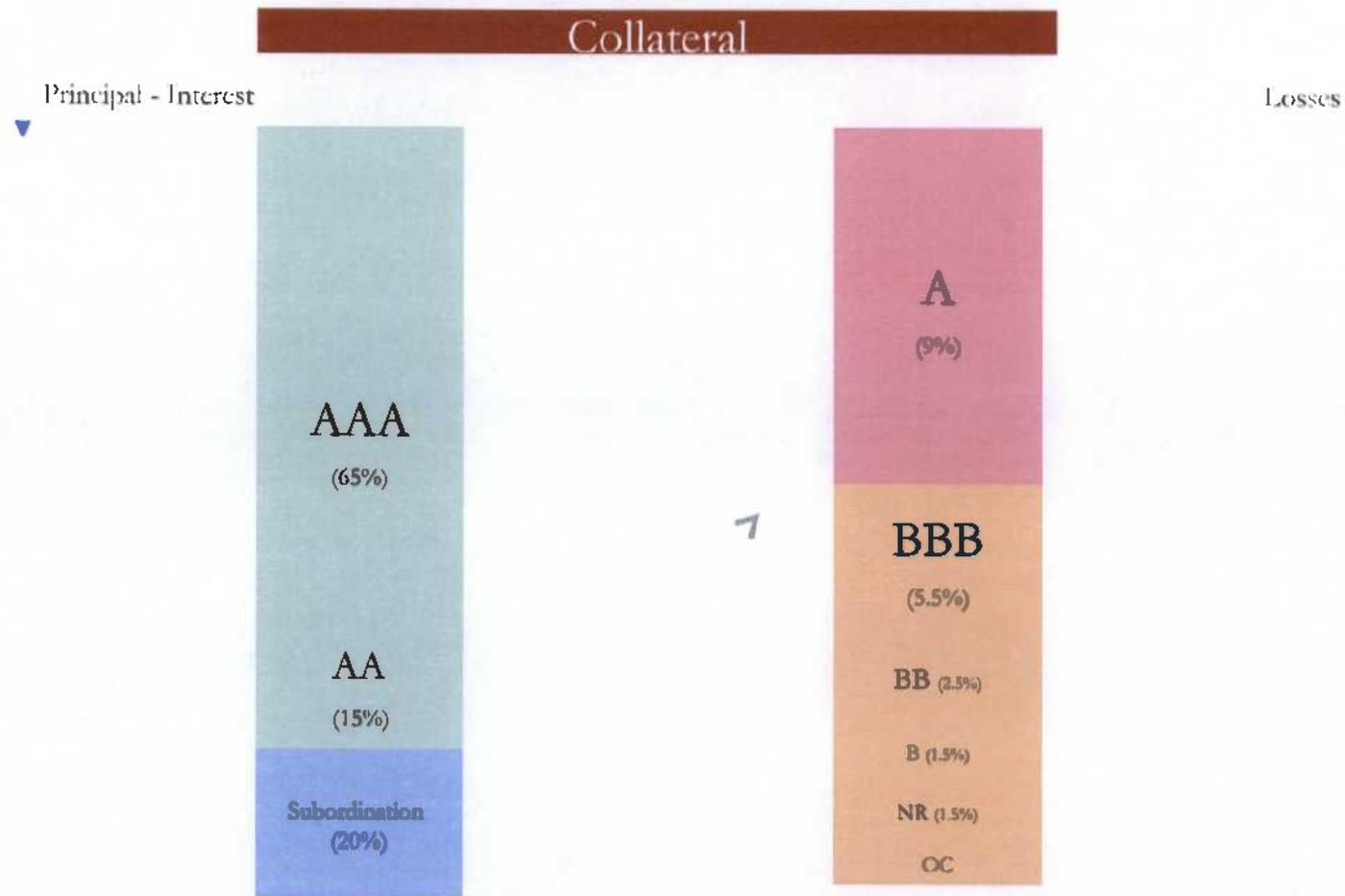
- ◆ Credit enhancement can come in several forms provided either internally within a deal or externally by a third party.
 - Internal forms of credit enhancement are provided by a **reallocation** of collateral cash flows leading to credit **tranching**.
 - The most popular forms are **subordination** and **over-collateralization (OC)/excess spread**.

- ◆ **Senior Subordination**
 - In a **Senior/Sub structure**, **subordinate tranches** provide **credit support** to **senior classes** within a deal.
 - Allocation of losses progress from the lowest to the highest rated classes.
 - This form of credit support often calls for the allocation of a **disproportionate** amount of **principal prepayments** to the **senior classes** of the deal so that the **subordinate classes** remain **outstanding** for a sufficiently long time to ensure availability of **credit support** to the seniors.

- ◆ **Over-Collateralized/Excess Spread**
 - Credit enhancement through **OC** and **excess interest** arise from the **weighted average net mortgage rate** of a group of loans **exceeding the weighted average pass-through rate on bonds** (plus certain expenses of the trust), **generating excess interest** collections.
 - This excess interest is initially applied to the **reduction of the aggregate principal balance of securities**, resulting in a more rapid amortization of the **aggregate principal balance of these securities**, as compared to the decline in the **aggregate mortgage collateral balance**.
 - This **creates OC** and this **application of excess interest continues until the OC target is met**.
 - Upon **funding** of the **OC**, any **realized losses on the collateral** are covered by the **OC** and the **monthly excess spread** prior to the **subordinate classes** being hit.
 - Remaining **excess spread** is directed to the **residual holder**, which may or may not be the issuer.



Credit Enhancement Structures - Concept



Allocation of Principal/Interest and Defaults

- ◆ Principal and interest cash flows in a senior/subordinate structure are allocated as follows:
 - Interest and scheduled principal cash flows are distributed on a pro-rata basis to the AAA and subordinate classes.
 - Unscheduled principal cash flows, i.e., principal prepayments, can be directed on a pro-rata, sequential, or shifting interest basis:
 - Pro-rata simply means indicating the principal pro-rata across all class
 - Sequential means to sequentially divert principal to the Senior tranches down to the junior bonds in sequential order
 - Shifting Interest, are initially directed entirely to the AAA classes. Subordinate classes are subject to a prepay lockout, whereby they do not receive their pro-rata share of prepayment cash flows during the first five years. Over the following five years, a declining percentage of their pro-rata share of prepayment cash flows is directed to the senior classes, leading to a shifting interest schedule. The subordinates' share of prepayment cash flows directed to the seniors eventually declines to zero over a span of five years.
 - Interest cash flows are distributed pro rata to the AAA and subordinate tranches based on the coupon rate specified within the deal structure.

- ◆ Credit losses are allocated as follows:
 - Losses are first allocated to the lowest rated subordinate class offering protection to each higher-rated class.
 - Should losses generated on the underlying mortgage collateral result in the writedown of a lower-rated class, for example the unrated class, then subsequent losses are directed to the writedown of the next higher-rated class, eventually moving up the subordinate stack in reverse sequential order of rating.



Credit Enhancement Determination

- ◆ Rating agencies play a significant role in the non-Agency RMBS market. Their functions include establishing methodologies to evaluate the credit quality of a wide range of prime to subprime borrowers, staggered across the credit continuum, examining the structural integrity of credit protection offered, on a deal-by-deal basis, and establishing credit enhancement levels for every individual deal carrying their rating.
- ◆ Each of the four rating agencies, Standard and Poor's (S&P), Moody's Investors Service, Fitch Ratings, and Dominion Bond Rating Service (DBRS), use proprietary models in their independent evaluation of credit risk for a given pool of mortgage loans.
- ◆ Common factors in the evaluation of RMBS by each of the rating agencies include:
 - Default/foreclosure frequency, the probability that a loan will default,
 - Loss severity, the amount of loss realized on a defaulted loan,
 - Conservative scenarios, characterized by higher default frequencies and loss severities, to separately stress higher- versus lower-rated classes within a specific deal,
 - Baseline default and loss severity assumptions, for a given collateral type, adjusted based on borrower characteristics and loan attributes of a given pool of loans.



Credit Enhancement - Other

- ◆ The following are some examples of additional credit enhancement available to a deal going to market
 - Bond Insurance Wrap
 - An issuer may choose to purchase insurance for a specific bond to enhance pricing or availability of the bond to a particular investor.
 - Issued by traditional mortgage insurance companies.
 - Reserve Fund
 - The issuer may choose to fund a reserve account at issuance or may choose to fund a reserve account out of residual cashflow.
 - Super Senior Bonds
 - These bonds are traditionally used to again create another layer of credit enhancement below them in the AAA tranche.
 - These bonds traditionally are created for FNMA/Freddie purchase.
 - Also these bonds may have directed cashflow to facilitate adhering to Agency requirements.
 - Triggers
 - Redirected Bond Cashflows; typically from the junior bonds to the senior tranches
 - Performance triggers are driven by triggers linked to the collateral characteristics. traditionally, triggers are linked to cumulative losses and 60+ delinquencies.
 - Since these trigger traditionally divert cashflows from the residual to the OC account, it is very important to understand the ramifications of these triggers being activated
 - There are also step-down triggers that will result in a lower OC requirement when the deal performance above a pre-determined level during a given period.



Securitization Nuances

- ◆ **Fixed Bond - WAC IOs and WAC POs**
 - The dispersion of mortgage rates on loans within a given securitized pool relative to the fixed-rate security issued with a specified coupon results in non-Agency RMBS loans being split into two buckets: discount and premium.

- ◆ **Optional Redemptions**
 - All non-Agency deals are subject to a call feature (referred to as an optional redemption/termination) held by an entity, often the issuer or servicer on the deal, which can exercise a call on the deal.
 - Investors in the deal are effectively short this call option.
 - The primary criteria to exercise the call requires that the collateral factor, defined as the ratio of the current balance to the original balance, be lower than a threshold amount (in most cases, 10%, but for some issuers this may be set at 5%). Once the current reported factor drops below this threshold, the holder of the option can exercise the call.
 - The exercise price of the call is often set to par. Hence, the call option is likely to be exercised only if the collateral market value is sufficiently above par to provide an economic return, after transaction costs, to the holder. Given an exercise price of par, the coupon rate and default performance of the underlying pool of mortgages are the main drivers, whereby higher coupon rates and lower default rates increase the attractiveness, and thereby the probability, of exercising the call option.
 - Exposure to this call feature varies across a deal structure. Last cash flow securities are more exposed to the call feature as these classes become current paying, i.e., receiving principal, around the same time the collateral factor drops below the threshold amount, making the call feature on the deal eligible for exercise. In contrast, shorter, front-end cash flows are less exposed to this call feature as they are likely to have paid off well before a deal is eligible to be called.
 - The issuer, servicer, or residual holder may hold the call rights.



Securitization Nuances

◆ Compensating Interest

- Investors in non-Agency RMBS may be exposed to interest shortfalls. This is not the case for holders of Agency RMBS, wherein investors are guaranteed a full calendar month's (30/360) worth of interest dollars.
- Interest shortfalls arise from borrower prepayment in full. In this case, the borrower pays interest only for the period from the due date to the date of the prepayment. But, interest on the security is due for the full month (30 days).
- The extent of the interest shortfall can be either 15 or 30 days depending on the definition of the prepayment period. A mid-month prepayment period (only prepayments occurring during the latter 15 days of the month are passed through to investors on the following month's distribution date) reduces the maximum value of interest shortfall. Prepayment period definitions vary from issuer to issuer.
- Investors in non-Agency RMBS are protected from prepayment shortfalls, to some degree, by compensating interest features. Compensating interest policies vary from issuer to issuer and the amount of protection is typically limited to a certain predefined amount. These limits can vary from a specified amount of 12.5 or 25bp to a certain amount of the servicing fee (SF) or master servicing fee (MSF) plus ancillary income



VIII. Assumptions



Prepayments

- ◆ The historical prepayment profiles of various RMBS, Agency and non-Agency prime jumbo and Alt-A products, can be placed on a convexity continuum which mirrors the credit continuum introduced earlier. In general, prepayment sensitivity of borrowers is strongly correlated to creditworthiness, with greater sensitivity to refinancing evident on mortgage pools backed by more creditworthy borrowers and vice versa.
- ◆ In response to the historically low rates in 2005, record high prepayment speeds were observed on prime jumbos followed next by non-conforming balance Alt-As, Agency, and, finally, conforming-balance Alt-As. The general pattern, in terms of the initial acceleration and subsequent slowdown, in response to the backup in mortgage rates, are almost identical across these products and notably, between prime jumbo and Agency RMBS, except for differences in the level of sensitivity displayed.
- ◆ The prepayment sensitivity of non-conforming balance Alt-A 30-year fixed-rate RMBS is notably less than on prime jumbos, but more comparable to Agency RMBS, highlighting the impact of weaker collateral characteristics on subdued prepayment (and expected weaker credit) performance. Similarly, conforming balance Alt-As display more stable profiles relative to conforming balance Agency RMBS.
- ◆ Loan-level disclosure, a standard in the non-Agency RMBS sector, facilitates transparency in linking empirical performance to specific collateral attributes. Loan level transparency of non-Agency RMBS essentially enabling investors to make better, informed decisions with knowledge of the collateral characteristics on a given non-Agency RMBS pool.
 - The greater prepayment sensitivity of higher-balance loans is a consequence of the greater dollar savings of refinancing on higher- relative to lower-balance loans.
 - Stronger prepayment response is also correlated to credit (FICO) scores, with more creditworthy borrowers usually having access to more credit and more easily qualifying for larger loans.



Prepayments

- ◆ Broadly, aggregate prepayments are the function of housing turnover and refinancing-driven factors.
 - Contributions to aggregate prepayments from housing turnover are impacted by aging, seasonality, and home price appreciation.
 - Contributions to aggregate prepayments from refinancings are influenced by the aging effects of a loan, refinancing incentive (already discussed), curve shape, the media effect, and the cash-out or equity takeout effect.

- ◆ Housing Turnover
 - **Aging Effects** : Loan age affects both housing turnover and refinancings. Contributions to housing turnover increase as a loan seasons, and potential contributions from refinancing also increase as a loan seasons. This arises as borrowers backing a newly acquired property are unlikely to move soon thereafter; however, as time passes there is greater propensity for them to move and trade-up. Similarly, refinancing sensitivity increases as a loan seasons, as borrowers are more willing to incur transaction costs associated with a refinancing transaction as time passes but not too close in proximity to the high costs incurred upon initial purchase of a new property. Higher-balance loans backing prime jumbo pools have displayed shorter refinancing aging ramps due to the higher savings associated for the same rate incentive.
 - **Seasonality**: The school year cycle largely dictates the “busy” season for home purchases and sales in the United States. Seasonality of prepayments is observed through faster speeds during the spring and summer and slower speeds during the autumn and winter months.
 - **Home Price Appreciation**: Higher home price appreciation is correlated with higher contributions to housing turnover and refinancings. Rising value of a home creates an incentive for borrowers to extract gains and cash-out (defined below) or trade up into a larger home. In contrast, falling home prices create a disincentive for borrowers as their equity declines and, depending on the extent of a decline, they could find themselves in a negative equity position, essentially owing more on the outstanding mortgage than the value of the underlying property. Varying levels of home price appreciation for different price tiers distinctly impact turnover rates and their contribution to total prepayment speeds for Agency and non-Agency RMBS.

Prepayments

◆ Refinance

- **Aging Effects** : Loan age affects both housing turnover and refinancings. Contributions to housing turnover increase as a loan seasons, and potential contributions from refinancing also increase as a loan seasons. This arises as borrowers backing a newly acquired property are unlikely to move soon thereafter; however, as time passes there is greater propensity for them to move and trade-up. Similarly, refinancing sensitivity increases as a loan seasons, as borrowers are more willing to incur transaction costs associated with a refinancing transaction as time passes but not too close in proximity to the high costs incurred upon initial purchase of a new property. Higher-balance loans backing prime jumbo pools have displayed shorter refinancing aging ramps due to the higher savings associated for the same rate incentive.
- **Curve Shape and Mortgage Product Innovation**: The popularity of mortgage products that are today staggered across the entire range of the yield curve, ranging from adjustable-rate mortgages that are priced off the very short end of the yield curve to hybrids that range from having 3-, 5-, 7-, and 10-year fixed terms through to 15- and 30-year fixed rate mortgages, has imparted a strong curve effect to prepayments of both Agency and non-Agency RMBS. This is evidenced through a strong incentive to roll down the curve in steep yield curve environments, choosing ARMs and hybrids, and to extend out to the long end of the curve in flat yield curve environments, favoring the relative certainty of longer term fixed financing. Based on the refinancing incentive offered by these alternative products, the extent of this rolldown effect could vary between Agency and non-Agency RMBS due to varying levels of savings offered.
- **Media Effect**: New lows in rates induce a strong refinancing response among borrowers. This is magnified by media focus, thereby causing what is termed a “media effect.” The magnitude of the media effect depends on the recency of a certain attractiveness level of interest rates, and is a function of the time since a similar rate attractiveness level was last observed. Hence, a 6% mortgage rate may in and of itself not be a historical low, but could trigger sufficient refinancing volumes if that rate has not been experienced for three years, for example. The magnitude of the media effect varies between Agency and non-Agency RMBS, especially due to the greater focus by brokers and originators on large balance loans because of the higher fee earning potential.
- **Cash-out or Equity Takeout Effect**: Appreciating home values result in embedded equity in the underlying property, offering borrowers a chance to tap into this positive equity and apply for a cash-out or equity takeout loan. Taking cash out in this manner results in a prepay in full of an existing loan as a new loan is originated. This results in a higher contribution to refinancing speeds. The greater the amount of home price appreciation, the greater the potential volume of cash-out refinancings.

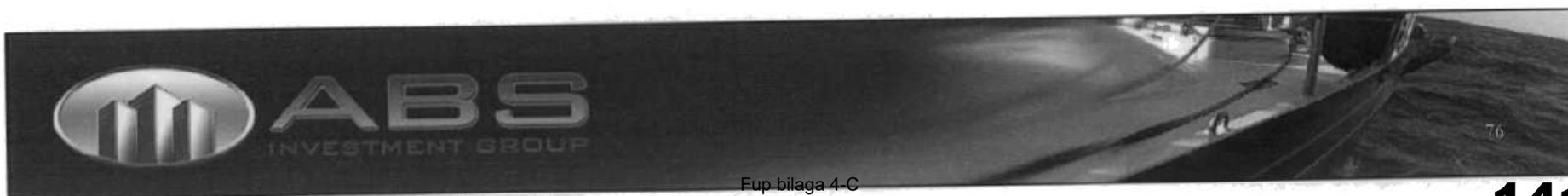


Prepayments

- ◆ Prepayment Models are a **critical** tool for determining value of a mortgage bond. The forecasted collateral characteristics drive the cashflow that drive the water fall and ultimately produce proceeds for a bond.
- ◆ Critical Components of Models
 - Prepayment Model
 - Historical data applicable to the product types in being assessed. The abundance of this data will help to more accurately drive the key coefficients in the model relating to historical performance.
 - Includes the key variables that drive prepayments.
 - Product specific models that are able to capture the nuances of each type of collateral
 - Reasonable S-Curves as your starting point for refinance incentive
 - Competitive model theory in that the involuntary and voluntary prepayment models are competing for prepayment. Helps to avoid double counting of prepayments.
 - The ability to incorporate and OAS engine as an interface.
 - Loss Model
 - Historical data applicable to the product types in being assessed.
 - Migration model that allow for the determination of delinquencies at every stage of the loss continuum. This type of model is beneficial for determining delinquency triggers for a transaction (very few models incorporate this functionality).
 - Survival theory used to determine final loss profile.
 - Sufficient statistical profiling to make a reasonable assessment using key loss variables.
 - Competitive model Theory.



IX. ABS Investment Group



ABS Investment Group Philosophy

Our goal is to recommend bonds that deliver consistent returns while preserving capital. This requires a disciplined analytical process that focuses on risk minimization. The analytical process is based on unique understanding of the collateral and structures as well as a comprehensive analysis used to discover value.

Quality fixed income investing requires independent, fundamental analysis. ABS Investment Group conducts comprehensive research on its proposed investments using state of the art analytics tools, which is combined with its extensive market experience to identify and to analyze attractive investment opportunities.

Diversification is key to successful fixed income investing. Uncovering the complexities of the underlying bond cashflows and layering them to provide diversity, therefore, ensuring smooth returns.

Self Discipline is critical to the assessment.



ABS Investment Group Team

ABS Investment Group is a team of seasoned investment professional motivated by the opportunity to work in an entrepreneurial culture.

- ◆ **Mark Bishop, President:** Mark Bishop has 25 years of experience as a leader in the mortgage securitization markets. Previously, Mr. Bishop was president of IMPAC Mortgage Acceptance Corporation in Irvine, California. At IMPAC, Mr. Bishop serviced investment banking sector clients with the purchase of bulk whole-loans, and the subsequent pooling and securitization of non-conforming mortgage debt, with volume in excess of \$10 billion annually. Mr. Bishop began his real estate career as Vice President at Drexel Burnham Lambert, where he advised institutional clients in the national secondary market, and purchased and sold fixed income products, high yield bonds, and large pools of commercial and residential loans. He later co-founded Brentwood Financial Group, managing the bulk purchase, and subsequent pooling and sales of conforming and non-conforming residential mortgage loans on a national scale. He is a resident of Rancho Santa Fe, California and earned a Bachelor of Arts degree in economics from the University of California, Los Angeles.
- ◆ **Lisa Duehring, Managing Director, Capital Markets:** Prior to joining ABS Investment Group, Ms. Lisa Duehring was President/CEO of Alliance Bancorp, Brisbane, CA, where she was responsible for the vision, mission and culture of the Partnership. In 2006 and 2007 Alliance Bancorp originated over \$8 billion in high credit quality mortgage loans, generating approximately \$20 million EBITDA. Previously, Ms. Duehring was EVP of Capital Markets and Asset Liability Manager of a public REIT, Impac Mortgage Holdings, in Newport Beach, CA where she was responsible for growing and managing the balance sheet, creating profitability, loan pricing, bulk purchase and sale execution, interest rate risk management, and analysis of the performance for all products, securitizations and balance sheet assets. For the five years 2001-2005, she was responsible for the origination of \$63 billion of high credit quality mortgage loans, generating over \$700 million of net earnings. Ms. Duehring was also a member of the Strategic Planning, Asset Liability Management and Executive Committees.



Our Market

- ◆ Given the current dislocations in the RMBS market driven by “Irrational Expectations” it is a prime opportunity to provide value to our clients by selectively cultivating a portfolio driven by exhaustive analysis and unique understanding of this market segment.
- ◆ Recent events of note are:
 - Irrational Expectations
 - Economic is driven by a fundamental concept called “Rational Expectations”. People make rational decisions based on the information available. There is a current fear factor that has resulted in this concept in the bond market being broken.
 - Current flight to quality
 - Current flight to quality is driving up the price of treasuries to historically high yields and depressing the mortgage bond pricing. Particularly, the bonds that are not the Senior Class notes.
 - As a result of immense pressure by the Investor community the Rating Agencies implemented credit enhancements to the 2007 vintages that is far in excess of the traditional profile for such structures.



Investment Platform

- ◆ Bond Offering
 - New Issuance
 - Street
 - Secondary Market
 - Street
 - Unsolicited
 - Solicited
 - Private
 - Direct

- ◆ Phase I: Aggregate Bond Analysis

- ◆ Phase II: Single Bond Analysis

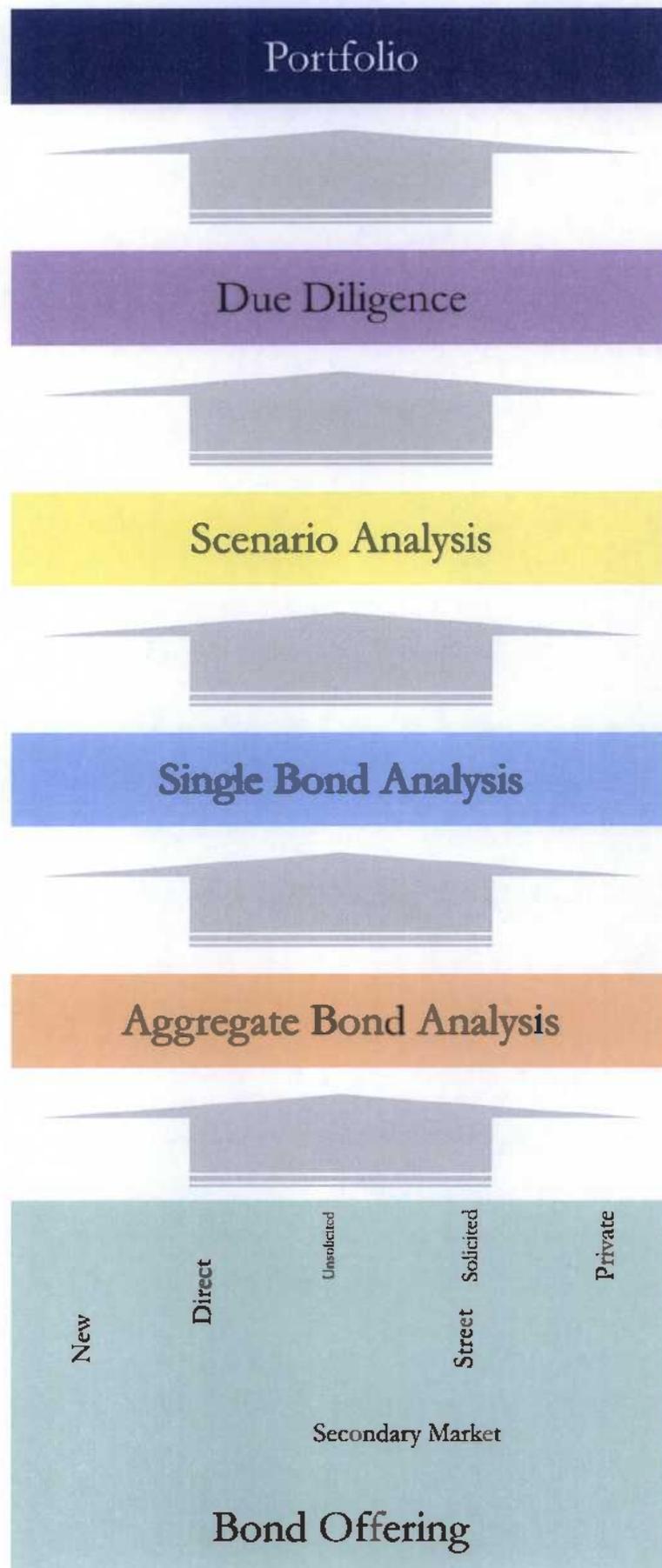
- ◆ Phase III: Scenario/Stress Testing

- ◆ Phase IV: Due Diligence

- ◆ Phase V: Portfolio Management



Investment Platform - Flow



Investment Platform – Phase I

- ◆ Phase I: Aggregate Bond Analysis
 - Review daily the offerings presented to ABS Investment Group
 - The bonds are loaded into our database
 - Bonds are run thru initial screening phase identifying those assets that have an initial valuation indicating potential to meet our hurdle rate of return criteria based on indicative static and OAS profiles.
 - Several models with unique assumptions are used to cross check the validity of the results presented at this level.
 - Key Variables
 - Collateral Characteristics
 - Bond Description
 - Pricing: yield associated with a given price or a price as a function of a hurdle rate of return.
 - Structure
 - Credit Enhancement



Investment Platform – Phase II

- ◆ Phase II: Single Bond Analysis
 - This phase is to discreetly review the fabric of the collateral and liabilities
 - Deal Summary
 - Collateral Information by Group
 - Bond Waterfall: including all the bonds in the structure
 - Collateral Stratification
 - Collateral Historical Performance
 - Prepayments
 - Losses
 - Delinquencies
 - Single Bond Analysis
 - Security Information
 - Model Inputs
 - Results
 - Cashflow
 - Yield Analysis
 - OAS Analysis
 - Results for each model will be given
 - Detailed Waterfall for entire structure



Investment Platform – Phase III

◆ Phase III: Scenario Analysis

- In this phase we are stressing the bond structure with Prepayments and Losses to determine at what level the minimum hurdle rate of return can still be achieved at a given price (breakeven analysis)
- Used to determine the affect of enabling triggers and determining the cashflow characteristics at the inflection points.
- Provide a range of ROEs associated with pricing at various vectors
- Provide probability weighted scenario analysis in which we assign probably of interest rate environment outcomes and associate a yield to that outcome with the respective weighting.



ABS
INVESTMENT GROUP

Investment Platform – Phase IV

◆ Phase IV: Due Diligence

- On all new issues, credit and compliance review of actual loans is performed.
- On all seasoned bonds, verification of current property values (FIS, AFT) and detailed analysis of collateral characteristics.
- Loan performance review utilizing actual servicing records on seasoned bonds and evaluation of statistical default and loss severity



Investment Platform – Phase V

◆ Phase V: Portfolio

- Each trust will be monitored and reported to the investor on a monthly basis.
- Each bond will contain the following information
 - Collateral
 - Prepayments
 - Losses
 - Delinquency
 - Principal and Interest Payments
 - Bond
 - Principal and Interest Payments
 - Trigger Status
 - Credit Enhancement
 - Original
 - Remaining



Investment Tools

- ◆ In our analysis we will be using the latest pricing, analysis, and portfolio analysis technology in the market today.

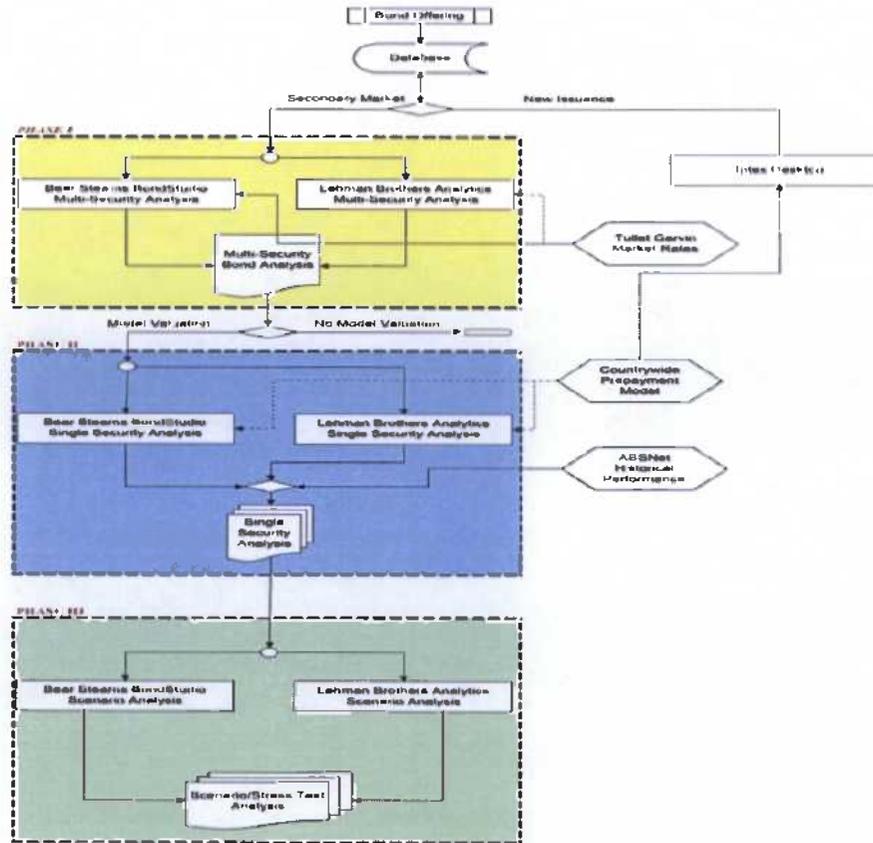
- ◆ Models
 - Analytics
 - BondStudio
 - Intex
 - Lehman Live
 - Assumptions
 - ADCO
 - AFT
 - Historical Analysis
 - Loan Performance
 - ABSNet

- ◆ The ABS Investment Group has over forty years of specific experience with mortgage backed securities, including but not limited to working with sophisticated cash flow models and prepayment models, and we have direct access to the quantitative groups.



Investment Tools – Flowchart

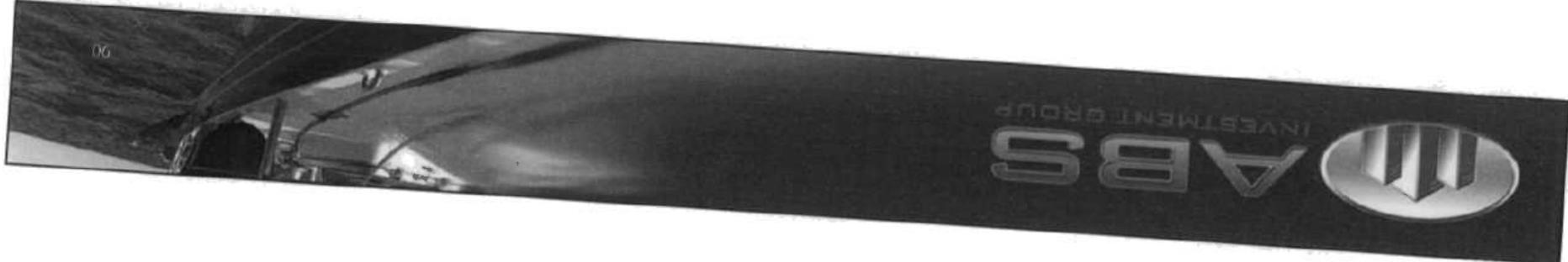
Broad Analytics
Flow Chart



Conclusion

- ◆ Residential mortgage backed securities offer investors a fairly-priced means of diversifying their holdings, with high returns. The spreads are wide compared to treasuries, equities, corporates, and real estate equity. ABS Investment Group's due diligence will identify bonds with value, performance and credit support, which offer investors stable payments in a volatile and dislocated market. Accordingly, RMBS fill a special niche and will be attractive to many investors.





Permission is granted to make and redistribute, without charge, copies of this entire document provided that such copies are complete and unaltered and identify ABS Investment Group and Mark Aarvig as the author, and only with the written consent of ABS Investment Group. All other rights reserved.

Ink. 2012-07-20

Appendix 2

Dnr.

State of California
Secretary of State

CERTIFICATE OF STATUS

ENTITY NAME: ABS INVESTMENT GROUP, LLC

FILE NUMBER: 200804710300
FORMATION DATE: 02/13/2008
TYPE: DOMESTIC LIMITED LIABILITY COMPANY
JURISDICTION: CALIFORNIA
STATUS: ACTIVE (GOOD STANDING)

I, DEBRA BOWEN, Secretary of State of the State of California, hereby certify:

The records of this office indicate the entity is authorized to exercise all of its powers, rights and privileges in the State of California.

No information is available from this office regarding the financial condition, business activities or practices of the entity.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of July 16, 2012.

A handwritten signature in black ink that reads "Debra Bowen".

DEBRA BOWEN
Secretary of State

EMS

Ink. 2012-07-20

Dnr.

J. Thomas Epperson & Co
CERTIFIED PUBLIC ACCOUNTANTS

22361 Rudgebrook Drive
Mission Viejo, California 92692
(503) 510-9198
epperjt@gmail.com

Board of Directors
ABS Investment Group
Irvine, California

I have reviewed the accompanying balance sheet of ABS Investment Group as of June 30, 2012, and the related statement of income and retained earnings for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the owners of ABS Investment Group.

A review consists principally of inquiries of Company personnel and analytical procedures to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying balance sheet in order for it to be in conformity with generally accepted accounting principles.



J. Thomas Epperson & Co.
July 12, 2012

ABS Investment Group
BALANCE SHEET
 JUNE 30, 2012

June 30, 2012

Assets:

Current Assets

Checking/Savings

10200 · Commerce West Bank

Total Checking/Savings

\$ 790,675

Other Current Assets

14200 · Due From / To ABSIG

14300 · Due From / To Fund IV

14800 · Due To / From ABS Investment

Investment in Mortgage-backed Securities

Total Other Current Assets

884,251

884,251

Total Current Assets

1,674,926

Other Assets

17100 · Investment in ABSIG, LLC

Total Other Assets

6,004,141

6,004,141

Total Assets

\$ 7,679,067

ABS Investment Group
BALANCE SHEET
JUNE 30, 2012

June 30, 2012

Liabilities and Equity:

Liabilities

Current Liabilities

Other Current Liabilities

23200 · Due to ABSIG, LLC

\$ 1,930,575

23220 · Due to Fund V

-

Total Other Current Liabilities

1,930,575

Total Current Liabilities

1,930,575

Total Liabilities

Equity

30100 · ABS Investment Group, LLC

Member's Equity

Total 30100 · ABS Investment Group, LLC

5,542,732

Net Income

205,820

Total Equity

Total liabilities and equity

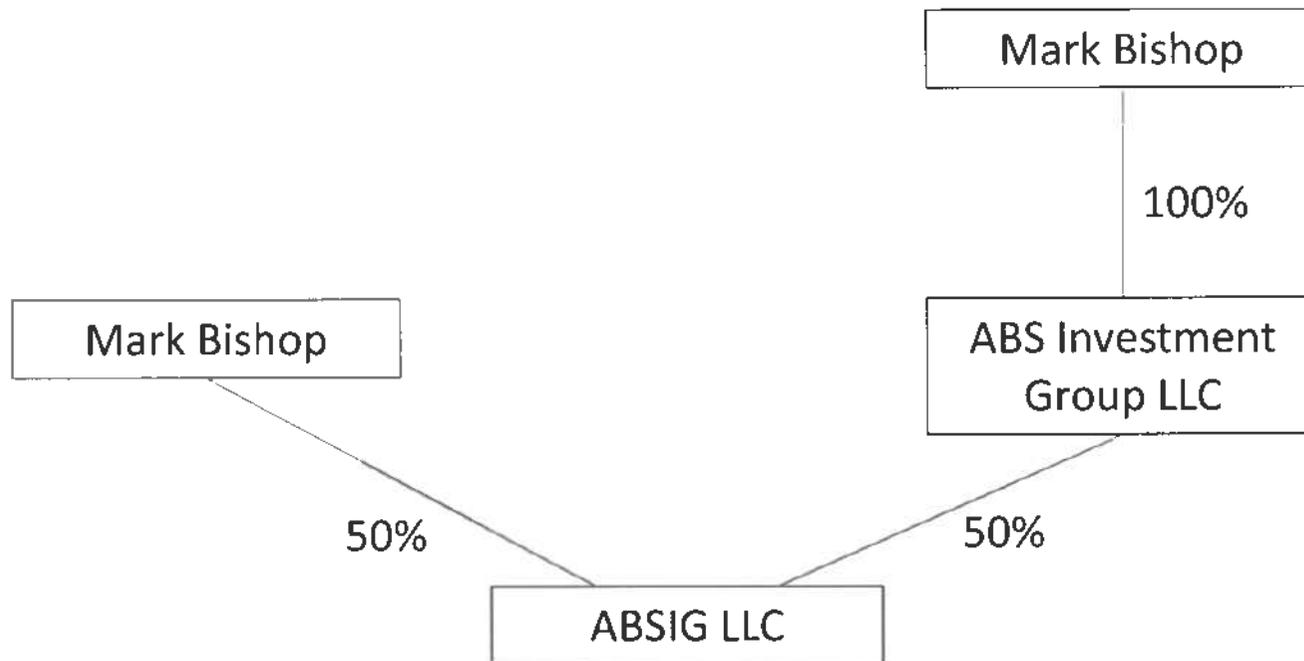
\$ 7,679,127

ABS Investment Group
STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 2012

Ordinary Income/Expense:

<i>Income</i>	
40000 · Interest Income	
42200 · Interest Income	\$ 55,250
42230 · Consulting Fees	205,000
Total Income	260,250
<i>Expense</i>	
60000 · Professional Services	
60100 · Accounting	18,000
60400 · Contract Services	16,250
Total 60000 · Professional Services	34,250
61000 · Advertising / Promotion	10,540
61800 · Data Services	9,640
Total Expense	54,430
Net Ordinary Income	
Net Income	\$ 205,820

Ownership structure



Appendix 5

J. Thomas Epperson & Co
CERTIFIED PUBLIC ACCOUNTANTS

22361 Ridgebrook Drive
Mission Viejo, California 92692
(503) 510-9198
epperjt@gmail.com

Charlotta Olsson, Lindahl,
Master Samuelsgatan 20
Stockholm SE-101 39
Sweden

Dear Ladies and Gentlemen

Please allow this letter to confirm that I have represented ABSIG LLC since its inception in 2008. I have handled all Tax and Accounting matters since that time. I am also familiar with the pending acquisition of "Traction" and how it will be financed.

ABSIG LLC will acquire "Traction" and finance its ongoing operations from current and retained earnings.

The transfer of monies for the acquisition of "Traction" and for operational funds will be an international wire, transferred from ABSIG's bank account at Commerce West Bank, Irvine, California to the appropriate accounts in Sweden.

I can certify that aforementioned transaction and its structure is accurate and will be consummated as outlined above.

Should you have any questions or concerns, please do not hesitate to contact me. Thank You.

Sincerely,

 7/18/2012

J Thomas Epperson, CPA

Specification of the information to be submitted to Finansinspektionen for an ownership assessment – Natural person

(Mark Bishop)

If Finansinspektionen's permission is required for acquisition of shares in a financial company, natural persons who intend to make a direct or indirect acquisition are required to submit the information set forth in the following specification.

The information shall also be submitted by natural persons who have a qualifying holding¹ in a company applying for permission to conduct financial operations. The target company in this context refers to the company applying for permission to conduct operations. Acquirer refers to the natural owner of the company applying for permission to conduct operations.

Section 1

Information on the contact person (incl. name, title, address, telephone number, e-mail and fax).

Mark Bishop, Managing Director
ABSIG LLC
1176 Main Street, Suite 300
Irvine, California 92614

Information on which company the acquisition refers to.

Traction Fonder AB

Information on who is the acquirer.

If the acquirer resides in Sweden:

name

Mark Bishop

civic registration number

address

Local address: Tegnergatan 5, 3 tr, Stockholm, 11140 Sweden

telephone number

+4670 993 35 38

+1 949 678 9574

If the acquirer resides in a country outside of Sweden.

name

Mark Bishop

any civic registration number
Social Security Number 553 19 5111

○
date of birth
May 12, 1956

○
place of birth
Pasadena, California, USA

○
passport number
483736413

○
address
93 Ritz Cove, Dana Point, California 92629

○
telephone number
+1 949 678 9574

○
information on any previous nationalities and any former names
none

○
certified copy of an identity document
[copy of passport attached] Appendix 1

A CV stating relevant education, working experience and other assignments.
[copy of CV attached] Appendix 2

! A direct or indirect ownership in a company where the holding represents ten per cent or more of the share capital or the voting capital or where the holding otherwise renders it possible to exercise a significant influence over the management of the company. The estimate of the holding shall be done in the manner stated in respective operating legislation.

² What is considered to constitute control is stated in Section 4.

³ Joint interest which can affect the influence refers, for example, to shareholders agreements or other agreements regarding joint ownership.

⁴ The definition of control is taken from Chapter 1, section 4 of the Annual Accounts Act (1995:1554).

Information about the acquirer's operations.

[ABSIG Presentation, including 2011 fund results is attached hereto]

Appendix 3

The acquirer is ABSIG LLC, however a financial statement for 1) Mark Bishop, 2) ABS Investment Group, and 3) ABSIG LLC are attached:

- incomes (both their amounts and the origin of the incomes),

Mark Bishop: 2011 net income \$288,000. The source of this income is salary paid by ABSIG LLC.

ABS Investment Group: 2011 net income \$205,820. The source of this income is trading fees of asset-backed securities between approved banks, investment banks, and regional brokers.

Balance Sheet - Mark Bishop, Appendix 4

ABSIG LLC: 2011 net income \$455,039. The source of this income is "excess interest" income. This is ABSIG LLC's agreed to compensation per its Offering Memorandums and Partnership Agreements on the various funds it manages on behalf of investors.

- assets and debts and guarantee commitments,

Mark Bishop, ABS Investment Group, and ABSIG LLC do not offer personal or corporate guarantees.

- guarantees and other commitments.

Mark Bishop, ABS Investment Group, and ABSIG LLC do not offer personal or corporate guarantees. However, ABSIG LLC's co-investment in the funds that it manages are subordinated to the investors of the various Limited Partnerships in order to provide additional credit enhancement and security to the investors.

Other factors also affecting the financial position shall be stated.

- A description or an outline of the entire ownership chain, any group or conglomerate, pre- or post-acquisition.

[a description of the Ownership Structure is attached]

Appendix 5

- The ownership shares shall be stated in per cent in relation to the number of ownership shares issued. If the number of voting rights differs from the number of ownership shares, the number of votes in per cent in relation to total voting rights shall be stated. State as well owners who have a significant influence over the company in any other manner.

- Specify for each company in the ownership chain and companies within any group or conglomerate, post-acquisition, companies which are financial, insurance or combined financial holding companies, companies under supervision, such as insurance companies, credit institutions, investment firms, fund management companies, etc., and other companies and their operations.

- Specify as well any financial groups, insurance groups and financial conglomerates and in these cases also the companies which are included in the companies in the group/conglomerate.

-

Specify as well in which country the company has its registered office and the supervisory authority in the home country of the company which is under supervision.

Information on in which companies the acquirer is appointed as:

a board member

managing director or deputy managing director

(incl. the type of operations, the company's registered office and position).

Information on in which company the acquirer has ownership that entails control ² (including the operation's type, the company's registered office and shares in per cent).

Information on whether there is any close relation to the acquirer who holds ownership shares in the company which the acquisition refers to (the target company), or in another company which in turn has ownership shares in the target company. Also any other financial relations between the aforementioned shall be specified.

None

Information on whether the acquirer has any form of joint interests with the following persons who can affect the influence in the company to which the acquisition refers to (the target company):

other shareholders.

- any other person or company that without being a shareholder has the opportunity to exercise equivalent influence over the target company or
- managing director, or his or her deputy or board member.

None

Information on any conflicts of interest which may arise in conjunction with the acquisition and an account of how these shall be managed.

Mark Bishop, as an individual, can have no conflicts of interest in conjunction with the acquisition of Traction Fonder AB.

ABSIG LLC can have no conflicts of interest in conjunction with the acquisition of Traction Fonder AB, since ABSIG LLC only manages the funds of specific limited partnerships located in the United States and Canada. There is no intention for ABSIG LLC at any time in the future to become involved in fund management in Sweden.

ABS Investment Group ("ABS") may have a conflict of interest in conjunction with the acquisition of Traction Fonder AB due to the fact that ABS is in the business of actively trading mortgage-backed securities, and such type of securities may also be a small part of Traction Fonder AB's fund portfolio. Nevertheless, ABS may perform analytical services to Traction Fonder AB for its due-diligence process regarding mortgage-backed securities, but Traction Fonder AB may not purchase from or sell to any entity or person that has any common ownership of any sort, or poses any potential conflict of interest. Therefore, Traction Fonder AB will not trade, buy or sell with ABS.

Information (including a description of the circumstances) on the acquirer:

- during the past ten years has been sentenced in a Swedish or foreign court for, or formally charged as a suspect of, financial crime of which imprisonment is included in the range of penalties specified for the crime.

None

- during the past ten years has been convicted to imprisonment by a Swedish or foreign court for another crime than those stated above.

None

- over the past five years has been a member of a board of directors in an operating company and has not been granted a release from liability

None

- during the past five years has been dismissed from a position in a financial company.

None

- during the past five years has been dismissed from employment as a senior executive or an engagement as

a board member or auditor in another operating company.

None



Information (incl. a description of the circumstances) on the acquirer or – which the person is aware of – any company in which the acquirer is or has been a senior executive or board member, alternatively has or has had control of:



during the past five years has been (or is) involved in any civil or administrative legal process in a court or arbitration board which obviously has no significance for the ownership assessment,

None



during the past five years has been (or is) the subject of a composition or company reorganisation, was placed into insolvent liquidation or the equivalent in a foreign country,

None



during the past ten years has been subject to sanctions by a competent supervisory authority in Sweden or a foreign country,

None



during the past ten years in Sweden or a foreign country has had an application rejected, been excluded or in any other way limited in terms of the right to conduct operations or a profession which requires permission, registration or such of the competent authority, organisation or equivalent body.

None



during the past ten years has been the subject of a suitability assessment by a foreign financial supervisory authority.

None

Section 2

Information on the size of the holding that the acquirer intends to acquire in the target company. The number of ownership shares shall be stated in per cent in relation to the number of ownership shares issued. State the number of ownership shares pre- and post-acquisition (direct and indirect). If the number of voting rights differs from the number of ownership shares, please state as well the number of votes in percent in relation to the total voting rights.

Acquirer (ABSIG LLC) seeks to acquire 100% of Traction Fonder AB's shares.

Information on the estimated acquisition date.

The acquisition should be completed immediately upon FI's approval of ABSIG LLC's acceptability as owner of the shares of Traction Fonder AB. It is expected that such approval may occur prior to October 31, 2012.

Information on the purpose of the acquisition.

The purpose of the acquisition is generate revenue and profits for Traction and the shareholders, through proper management of the Fund company (target). It is anticipated that the disciplines utilized in operating small funds (heavy analytical due diligence, preservation of capital, cash-on-cash returns, appreciation, seeking above peer group returns, and adherence to the disciplines of the business plan) will protect and secure investor capital and provide for above market returns, allowing Traction to compete with larger Fund companies and Banks.

Section 3

Information on how the acquisition is intended to be financed and a description of where the money derives from. Append documentation which attests this or a signed statement from an authorised public accountant.

[Certification from accountant that ABSIG shall utilize its retained earnings in order to acquire Traction and fund its operations.]

Appendix 6

Information on how the transfer of the money will take place, from the financing source to the final recipient of the payment.

[The transfer of money for the acquisition of Traction and operational funds, will be international wire transferred from ABSIG's account at Commerce West Bank, Irvine, California to the appropriate accounts in Sweden.]

Information on whether there is any cooperation with a natural or legal person in terms of the financing of the acquisition.

[There will be no financing outside of ABSIG.]

Section 4

If the acquisition means that the acquirer gains control⁴ of the target company, then this information shall be provided as set forth under 4.1.

An acquirer has control of the target company if the acquirer directly or indirectly receives the majority of the votes or shares. Furthermore, an acquirer has control of the target company if they are shareholders and:

- have the right to appoint or dismiss a majority of the members of the target company's administrative body, managerial body or supervisory board or
- through agreements with other partners of the target company control more than half of the votes for all shares or participations.

If the acquisition does not lead to control of the target company but that the share amounts to 20 per cent or more, the information set forth under 4.2. shall be provided.

If the acquisition means that the holding amounts to less than 20 per cent but remains a qualifying holding, the information set forth under 4.3 shall be provided.

Please note, however, that if Finansinspektionen requires additional information for its assessment of the acquirer's suitability, Finansinspektionen can request information to be submitted regardless of that stated above in accordance with sections 4.1 or 4.2.

4.1 Qualifying ownership which entails control

Append a business plan which contains:

[Business plan of Traction Fonder AB is attached hereto] Appendix 7

4.1.1. A strategic development plan with a description of:

- a) the objectives of the acquisition and how these will be attained,
- b) financial goals of the acquisition,
- c) planned changes of the operations, e.g. products, customers and any transfer of assets,
- d) planned integration of the target company in the acquiring corporate group
- e) information regarding the acquirer's intention and ability to inject capital to the target company if such would be required.

4.1.2. Forecasts for the next three years, both for the target company and any group which the target company belongs to, for:

- a) balance sheet and profit and loss accounts,
- b) significant key ratios
- c) solvency or capital requirement calculation (including an internal capital adequacy assessment, so-called ICAAP).

4.1.3. A description of how the acquisition will affect governance and organisation in the target company. Specify in particular whether the acquisition is going to affect:

- a) structure of the board of directors and corporate management,
- b) the organisation's operative structure (append the organisation chart),
- c) outsourced operations.

4.2 Qualifying ownership which doesn't entail control, but amounts to 20 per cent or more

Append the following:

- a) information on whether the acquirer intends in the foreseeable future to increase or decrease his or her holdings in the target company,
- b) information on whether the acquirer intends to act as an active minority owner and in such a case the basis for this,
- c) information on whether the acquisition means that the target company, together with the acquirer, will be a part of a financial group or insurance group and forecasts for the group consisting of:
 - balance sheet and profit and loss accounts,

- significant key ratios,
 - solvency or capital requirement calculation (including an internal capital adequacy assessment, so-called ICAAP).

4.3 Qualifying ownership that is less than 20 per cent

Append the following:

information on whether the acquirer intends within the foreseeable future to increase or decrease his or her holding in the target company and

information on whether the acquirer intends to act as an active minority shareholder and in such a case which objectives the acquirer has.

About the application

The application shall be signed by the acquirer, certifying that the information provided is correct and complete.

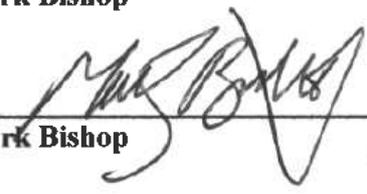
In the event that identical information has already been submitted to Finansinspektionen in another matter, please refer to this by stating the registration number and what information it deals with.

Please note: In conjunction with the ownership assessment, Finansinspektionen will obtain information from, e.g. Rikspolisstyrelsen (Swedish National Police Board), Bolagsverket (Swedish Companies Registration Office), Skatteverket (Swedish National Tax Board) and Kronofogdemyndigheten (Swedish Enforcement Authority).

Please note: In conjunction with the ownership assessment, Finansinspektionen will obtain information from, e.g. Rikspolisstyrelsen (Swedish National Police Board), Bolagsverket (Swedish Companies Registration Office), Skatteverket (Swedish National Tax Board) and Kronofogdemyndigheten (Swedish Enforcement Authority).

The content of this Ownership Assessment Application is approved by:

Mark Bishop



Mark Bishop July 16, 2012

CV
MARK BISHOP
 January 2012

Ink. 2012 -07- 20

Dnr.

Mark Bishop, Managing Director and CEO of ABSIG LLC and ABS Investment Group (ABSIG): Mr. Bishop has 25 years of experience as a leader in the mortgage securitization markets. His Wall Street career began with Drexel Burnham Lambert, structuring and trading high yield bonds, fixed income products, and MBS. Previously, Mr. Bishop was President of Impac Mortgage Acceptance Corporation in Irvine, CA. At Impac, Mr. Bishop oversaw the organization, the purchase of bulk whole-loans, and the subsequent pooling and securitization of non-conforming mortgage debt, with annual volume in excess of \$10 billion in the years 2001 to 2006.

ABSIG was founded in October 2007 with Mark Bishop as a founding partner. Mr. Bishop and the rest of the management team have been responsible for creating many of the securities that ABSIG actively trades today. ABSIG manages Funds based in the United States and Canada, and accounts for both U.S. and non-U.S. investors, employing a variety of investment strategies. ABSIG has generated returns for its funds investors in excess of its peer group in every year since 2007. Additionally, the Firm invests its capital alongside its clients' capital.

ABSIG manages its Funds, pursuing a relative value investment strategy with the objective of capturing a stable and reliable income stream, minimizing return volatility over time, and capturing significant capital appreciation. The Firm holds positions in mortgage-backed securities. ABSIG utilizes sophisticated underwriting and cash flow models, including proprietary systems to ensure all investments outperform market expectations and its peer group, and hedge against changes in interest rates and other market events.

ABSIG's MBS trading and fund management experience, and analytical skills are at the industry's cutting edge as viewed from either the buy or sell side of the market. Prior to forming ABSIG, six members of the management team constituted the nucleus of Impac Mortgage Holding's MBS trading and research group. The management team's members have obtained academic training in economics, mathematics and engineering.

HISTORY:

May 2006 to Present

ABSIG LLC – 1176 Main Street, Suite 300, Irvine CA 92614

President; ABSIG LLC ("ABSIG") is managed by a highly skilled team of professionals with several decades of experience in the M&A, capital markets, and securities industry. Their depth of experience ranges from fund management, analyzing and underwriting, aggregating, structuring, securitizing, trading and operations. Their combined experience transcends the entire array of the equity and capital markets, and has allowed ABSIG to build a solid value-driven platform, and continuously provide the Company and its investors with a consistent and reliable above market return. ABSIG has managed funds in excess of \$250 million, in the United States and Canada. ABSIG has generated returns in excess of its peer group in every year since 2007.

March 2009 to November 2009

KOENIGSEGG GROUP AB – Valhall Park, Angelholm, Sweden 26274

Manager, Director, Capital Markets, Shareholder; Koenigsegg Group was developed for the sole purpose of the acquisition of SAAB from GM. Mr. Bishop secured the commitment from GM to purchase SAAB, transferred the commitment to Koenigsegg Group and was responsible for strategic planning, capital markets, including all negotiations with Sovereigns, GM, NDO and EIB. Mr. Bishop developed a significantly scaled back business plan and a fundamental approach to the automotive industrial business. Right-sized volume was met with reduced operating expenses to achieve a break-even point utilizing existing resources. Future models, innovation, growth and employment opportunities for Vastra Gotaland would be made available through retained earnings. The business and variations of the

business plan, rights title and interest were transferred to Spyker in November 2009.

June 2006 to November 2009

**KOENIGSEGG AUTOMOTIVE AB – Valhall Park, 26274
Angelholm, Sweden**

Vice President, Capital Markets, Shareholder; Mr. Bishop was responsible for strategic planning of the Company, involved in generating IPO offers for the Company and capital raising. Koenigsegg Automotive AB has established itself as a leading edge and an important brand in the Supercar market segment. This segment is one of the most profitable within the automotive industry offering high secular growth and pricing power. Koenigsegg successfully completed the entrepreneurial early-stage, obtained approved and tested products and entered a growth phase, during this period. The management of Koenigsegg, and the group around it, has a proven track record of automotive experience, strong entrepreneurial and technical skills, and low volume sports cars production experience for large car manufacturers.

September 2001 to April 2006

**NOVELLE FINANCIAL SERVICES – 15050 Avenue of Science
Suite 101, San Diego, California 92122**

President; Mr. Bishop purchased and managed this nationwide mortgage loan wholesale and retail origination platform. Volume in excess of \$1.5 billion annually. This residential mortgage company incorporated web-based loan decisioning and operating technology (“IDASL” and “ONE”) and high customer service levels to offer a deep “one-stop” product line and an aggressive growth plan.

October 2000 to April 2005

**IMPAC MORTGAGE ACCEPTANCE CORP. – 1401 Dove Street,
Newport Beach, CA 92660**

President; Investment banking, bulk whole-loan purchasing and subsequent pooling and securitization of non-conforming mortgage loans, with volume in excess of \$2 billion annually. Utilized web-based pricing systems and operating technology (“IDASL”).

December 1988 to September 2000

**BRENTWOOD FINANCIAL GROUP (“BFG”) – 7310 Miramar Rd.,
San Diego, CA 92126**

Partner/Founder; The company engaged in the bulk purchase and subsequent pooling and sales of conforming and non-conforming residential mortgage loans on a national scale. Firm sells all of its acquisitions on a whole-loan, service-released basis, or mortgage-backed securities. Responsibilities extend to the entire operation of the firm, including maintenance of seller and investor relationships, (which include major finance companies, savings banks and investment banks); negotiation of commitments and contracts; mortgage pipeline management (hedging activities); supervision of credit underwriting, collateral review and final loan documentation. Brentwood purchased in excess of \$350 million annually.

December 1995 to December 1998

**FIRST STREET MORTGAGE CORP. – 7310 Miramar Rd., San
Diego, CA 92126 – Jacksonville, FL**

Co-Founder and Chairman of the Board; This residential mortgage loan company originated sub-prime loans nationwide out of 30 retail and wholesale branch offices, with volume in excess of \$120 million per month.

December 1994 to January 1996

COREWEST BANC – 7310 Miramar Rd., San Diego, CA 92126,
Westminster, CA

Co-Founder and Chairman of the Board; This successful mortgage loan company originated residential mortgage loans nationwide. The company was sold to Industry Mortgage Corporation in January, 1996, with volume in excess of \$70 million per month.

January 1984 to November 1988

DREXEL BURNHAM LAMBERT – Beverly Hills, CA

Vice President; Mr. Bishop managed fixed income products and unrated private placements of real estate debt (commercial and residential) with institutional clients in the national secondary mortgage market.

EDUCATION:

B.A., Economics, University of California at Los Angeles (UCLA), 1978

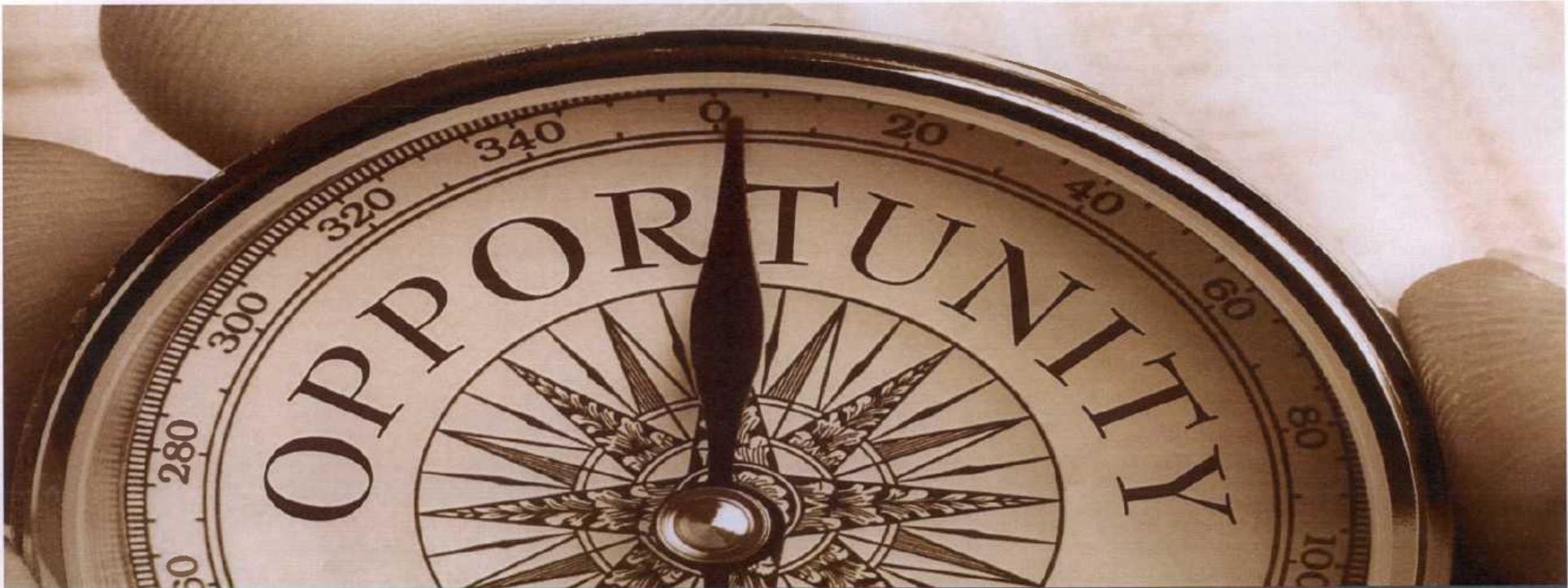
ADDRESS:

707 Broadway, 18th Floor
San Diego, California 92101
USA

Tegnergatan 5, 3tr
11140 Stockholm
Sweden

CONTACT:

+1 949 678 9574
+46 709 93 35 38
mbishop@absig.com



ABS INVESTMENT GROUP FUND

FUND INFORMATION BROCHURE – FOR INFORMATION & DISCUSSION PURPOSES ONLY, THIS IS NOT A SOLICITATION FOR SALE OR PURCHASE OF SECURITIES WITHOUT THE CORRECT SUPPORTING LEGAL DOCUMENTATION.

FINANSINSPEKTIONEN
Dnr. 2012-07-20





ABS
INVESTMENT GROUP

1176 MAIN ST, SUITE 300
IRVINE, CA 92614

707 BROADWAY, 18TH FLOOR
SAN DIEGO, CA 92101

FUND INFORMATION BROCHURE – FOR INFORMATION & DISCUSSION PURPOSES ONLY, THIS IS NOT A SOLICITATION FOR SALE OR PURCHASE OF SECURITIES WITHOUT THE CORRECT SUPPORTING LEGAL DOCUMENTATION.

Fup bilaga 4-C

Securitization

- Securitization is the process of pooling mortgage loans and converting them into packages of securities with various credit ratings, timing of cash flow, and risk/return profit.
- Originators sell whole loans to a trust by generating mortgage volume via flow or bulk purchases.
- The Trust issues rated, registered securities, which the dealer distributes to investors acting as securities underwriter.
- AAA rating is achieved through senior/subordinate structure, whereby a portion of the pool is subordinated to the rest with respect to realized losses.
- A dealer works with investors to structure various cash-flows to meet investor needs and requirements (reverse inquiry).
- The Trust receives cash flows from underlying loans and distributes them monthly to investors according to distribution rules.
- Dealers provide secondary trading liquidity, valuation and analysis.

What is an MBS?

- An MBS consists of a number of mortgages that are similar in amounts, terms, rates and structure are pooled into a single group.
- Mortgage documents associated with this group are transmitted to a custodian, reviewed by a trustee and then assigned an identification (pool) number by an issuing entity.
- An MBS is issued with a face amount equal to the cumulative outstanding principal balance of the mortgage (original balance) minus overcollateralization and with certain characteristics such as bond coupon.
- The mortgages have been pooled together to serve as the collateral for the security.
- Loans underlying a pool are similar, but not identical. Properties of an MBS must be described using the weighted averages by face value (WAM -weighted average maturity, WAC weighed average coupon and WALA -weighted average loan age).
- The MBS assumes the same characteristics as the collateral that secure the principal and interest payments to the bonds.

How are they created?

- The mortgage lender extends a loan to the homeowner.
- The mortgage lender then sells the loan to an agency such as Fannie Mae and Freddie Mac (agency) or a private entity (non-agency).
- The agency or private entity takes a number of the mortgage loans and bundles them into a “pool”. As homeowners make their monthly payments, the pool of mortgages generates a regular cash flow.
- The agency or private entity then sells claims on that cash flow, in the form of securities (bonds), to investors.
- Mortgage payments (principal and interest), are passed on from the mortgage services to the bond holder.

Credit Enhancements (protection against losses)

- Internal (within the deal) or external (by a third party) mechanism to insulate investors from pool deterioration.
- Whether provided externally or internally, credit enhancements size bonds to provide adequate protection, so as to ensure the timely payment of principal and interest.
- Internal forms of credit enhancement are provided by a reallocation of collateral cash flows leading to credit tranching.

The most popular forms are:

- subordination
- over-collateralization (OC)
- excess spread.

Subordination

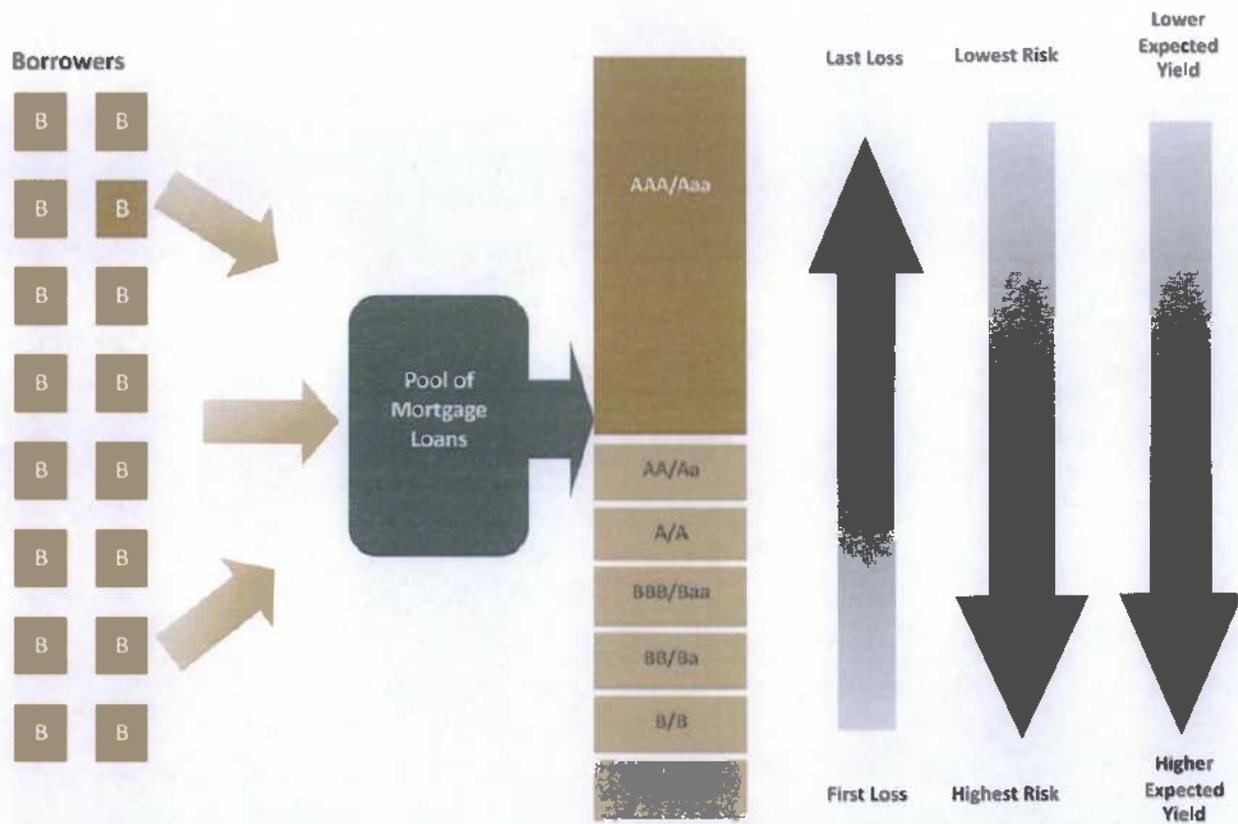
- In an RMBS, subordinate tranches provide credit support to senior classes within a deal.
- Allocation of losses progress from the lowest to the highest rated classes.
- This form of credit support often calls for the allocation of a disproportionate amount of principal prepayments to the senior classes of the deal so that the subordinate classes remain outstanding for a sufficiently long time to ensure availability of credit support to the seniors.

Over-Collateralization (OC) / Excess Spread

- Arises when weighted average net mortgage rate of a group of loans exceeds the weighted average pass-through rate on bonds (plus certain expenses of the trust), generating excess interest collections.
- The excess interest is initially applied to the reduction of the aggregate principal balance of securities, resulting in a more rapid amortization of the aggregate principal balance of these securities, as compared to the decline in the aggregate mortgage collateral balance.
- This creates OC and this application of excess interest continues until the OC target is met.
- Upon funding of the OC, any realized losses on the collateral are covered by the monthly excess spread and the OC prior to the subordinate classes being hit.
- Remaining excess spread is directed to the residual holder, which may or may not be the issuer.

Credit Enhancement Structure

Different Risk and Return for Different Investors



Agency vs. Non Agency Bonds

- MBS are issued by a government-sponsored enterprise (agency bond) or by a private entity (non agency bond).
- Agency securities have an implied government guarantee.
- Non-agency MBS are not guaranteed by the federal government, but instead have very thick credit enhancements.
- In the current financial marketplace there are good money bonds in both the agency and non-agency sectors.
- Bonds in both sectors are faced with an illiquid market.

Agency Bonds	Non Agency Bonds
Smaller Spreads	Wider Spreads (affects cash on cash returns and total return of the fund)
Thin levels of credit enhancements	Thicker levels of credit enhancements (protects unforeseen losses)

Distressed Bonds vs. Distressed Assets – Advantages

- Diversification creates protection against asset loss.
- Not a one to one ratio of losses in the mortgages to direct losses in the bond.
- Afford to take losses within the security (mortgage pool) without having to worry about the bond being affected.
- Upside is clearly connected to increases in short term interest rates.
- Exit on bonds is not just an equity play, the principal may be returned faster to increase the rate of return.
- Cash flows are fairly quantifiable and money good bonds will return 100% of face value.

Risk Factors

- Housing Market Conditions
- Difficult Valuation
 - Forecast of Interest Rates
 - Forecast of Losses/Delinquencies
 - Forecast of Prepayments
- Competition
 - As the market recovers more institutions will enter the market affecting pricing/returns and availability of bonds
- Diversification
- Effect of Government Programs
 - PPIP
 - Loan Modification
 - HOPE Programs
 - TALF
 - TALF expanded to include non-agency bonds

Interest Rates

- Currently at historically low rates.
 - The bonds purchased are largely floating rate assets.
 - Any increase in short term interest rates directly impact interest received on bonds and thus increases the return to the investor.
- ✓ **Increases in short term interest rates benefit the fund**

Prepayments

- This shortens the duration of the asset and can result in a clean-up call much earlier than anticipated (which is equivalent to selling the bond at par pricing).
- Pays down the capital account faster with less reliance on the sale of the asset for asset return at 36 months.
- Increases the yield on asset.
- Discounted bonds benefit from faster prepayments in that the asset amortizes toward par much faster and thus increases the pricing in the market as it draws closer to the maturity.

✓ **Prepayments benefit the fund**

Loss Profile

- Aggressive delinquency/loss profile in determining the initial cash flows on the deal.
- Delinquencies are a concern only to the extent that they result in losses that exceed our most extreme loss profile.
- Credit Enhancements provide a cushion for the potential losses.
- Stress testing identifies the loss level at which the bond breaks, providing us with a benchmark multiplier to current and expected loss levels.

(see due diligence section)

What is the tax-treatment for non US investors? (tax opinion from Baker McKenzie Chicago)

- ✓ No U.S. income tax on interest income.
- ✓ No filing of US income tax returns.
- ✓ No withholding tax on interest.

ABS INVESTMENT GROUP FUNDS

- **Investment Objective:** Principal preservation, quarterly interest and cash flow, principal and gains.

- **Investment Strategy:** Invest the proceeds of this offering in L.P. units issued by the Fund, which will selectively acquire high-quality, deeply discounted Residential Mortgage Backed Securities (“RMBS”) and hold them for investment and sale.

- **Investor Returns: Investors receive cash flow and profit from three sources**
 1. 100% of principal payments until all contributed capital is returned;
 2. Preferred Return of 6% per annum on net invested capital, paid quarterly;
 3. 80% of the profits generated from the net cash flows from the interest income and 80% of the gains distributed by the Fund

Why Now?

- The Fed reduced interest rates to historically **low levels** in 2003, resulting in:
 - An **asset bubble** in the housing market.
 - Rampant prepayments** in mortgage backed securities, which masked the Performance Statistics of the underlying mortgage pool.
- In the second half of 2006 and **continued through 2007**, delinquencies in all mortgage backed securities rose higher than modeled, forcing ratings agencies to revise their modeling assumptions on existing paper.
- These **revisions** resulted in the downgrade of numerous Prime, Subprime and Alt-A bonds.
- Margin calls** and the ensuing lack of liquidity in the capital markets for RMBSs eventually **slowed the origination** of Subprime and Alt-A loans, forcing hundreds of originators to close their doors while the remaining originators have significantly tightened credit requirements.
- The illiquidity creates an opportunity for ABS Investment Group to utilize its extensive **experience** in the analysis, acquisition, and management of performing, money good, RMBS bonds.
- This is the first market cycle in which RMBS bonds have been able to be offered to the private retail market efficiently: where spreads are sufficiently wide for the private investor, and bonds can be purchased at prices significantly discounted from where the Company estimates actual value.

Fund Advantages

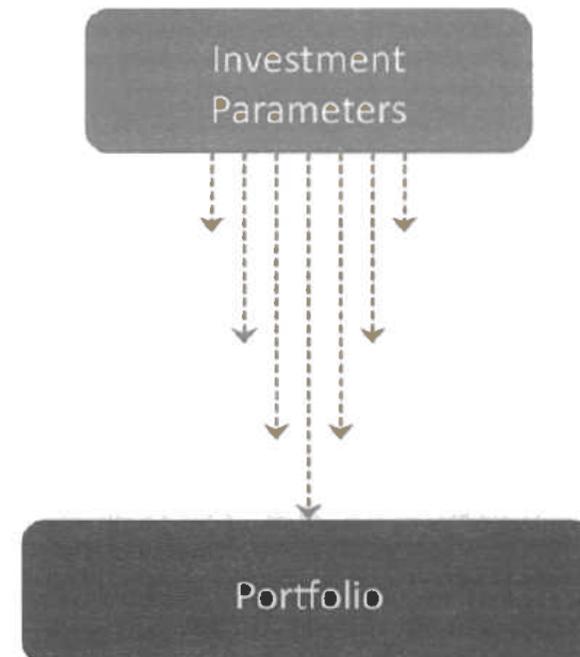
- The Fund will combine extensive market experience with comprehensive research and analysis, using robust due diligence to identify high-quality RMBS, offering the greatest potential rewards with the least possible risk.
- Using this approach, the Fund will ultimately acquire only a small portion of the securities it actually assesses.
- The Fund intends to acquire RMBS at a discount to their estimated market value and in turn, to recapture this discount over a three to five year term.

Management Team (ABS)

- Mark Bishop Managing Member and CEO of ABSIG LLC
- Mark Aarvig Chief Investment Officer, Portfolio/Fund Manager
- Lisa Duehring Managing Director, Capital Markets
- Craig Chang Operations
- Sagar Patel Trading Analyst
- Steve Bishop Fund Manager

Investment Parameters – Portfolio

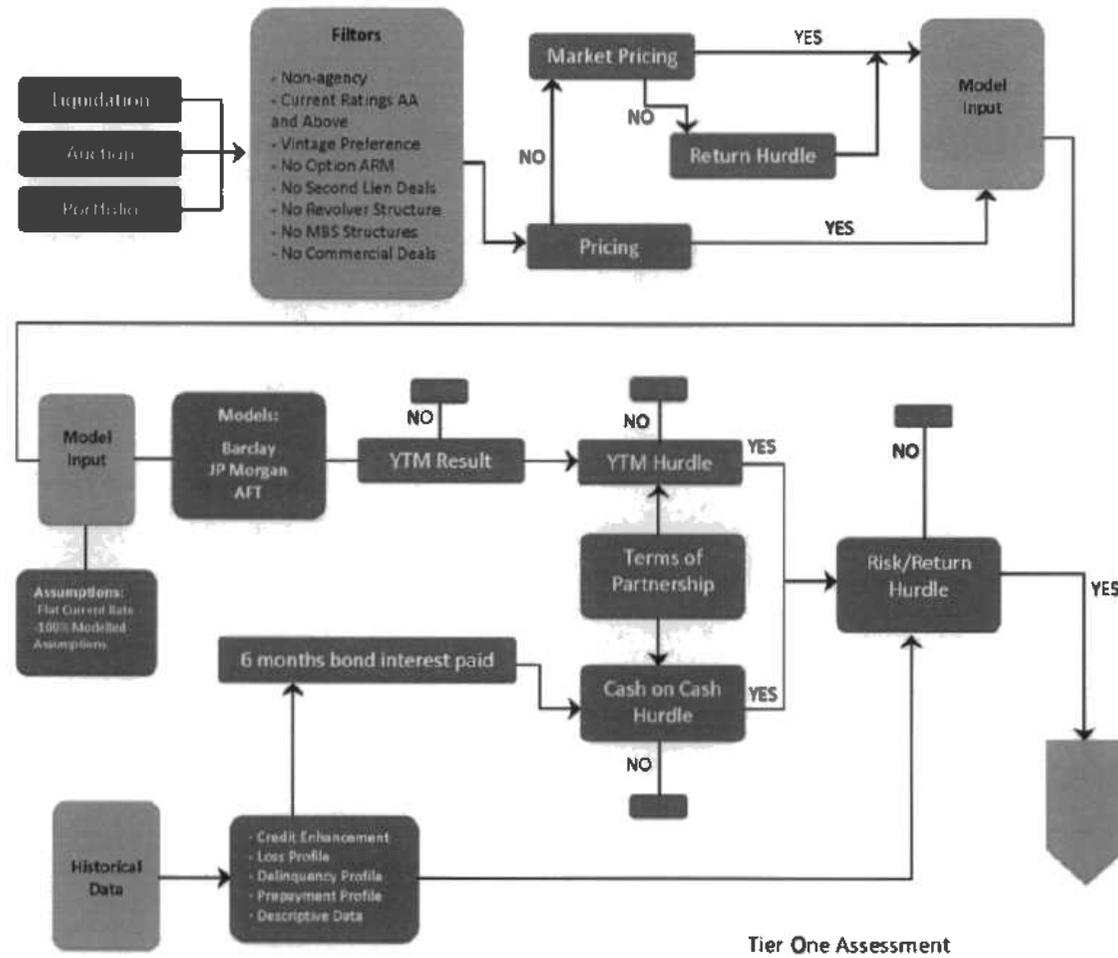
- **Minimum ROE:** The minimum expected return shall be 25%
- **Maximum Geographic Concentration:** No more than 50% of the assets will be concentrated in any one state
- **Minimum Bond Rating:** AA
- **Maximum Loan-to-Value ratio:** 80%
- **Minimum Excess Servicing Spread:** 75 basis points
- **Occupancy:** No less than 90% of the loans in a loan pool or security will be owner occupied residences
- **Property Type:** 100% of the loans in a loan pool or security will be on 1-4 family residences, with no less than 90% being single family residences
- **All bonds will be seasoned**
- **Minimum Bond Collateral-to-Bond Investment will be 2:1**
- **Significant Credit Enhancement:** Minimum subordination level will be 15%



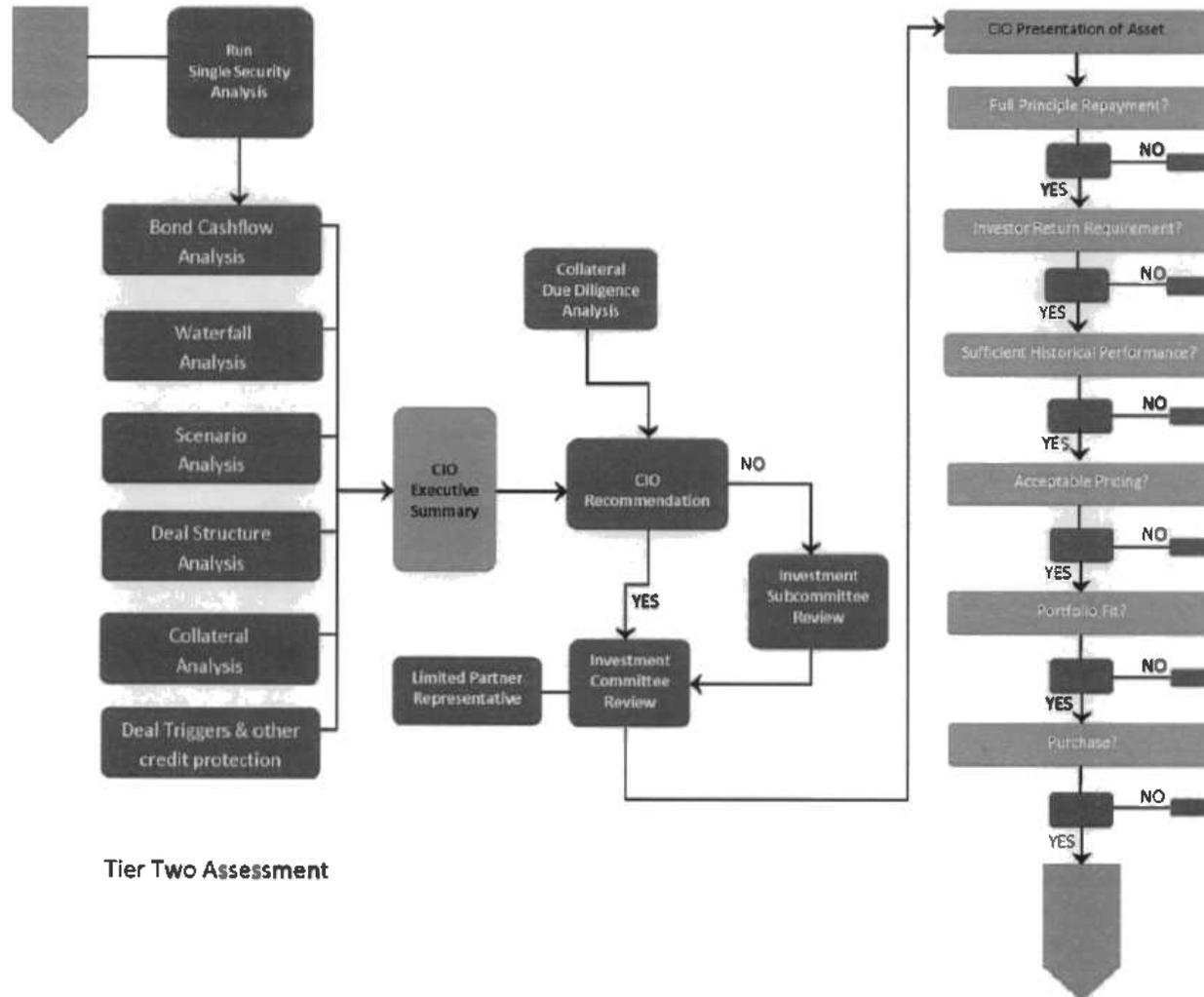
Due Diligence

- Hand-selected based on collateral/real estate and geographic concentration.
- Cash flow model performed on every bond in the security.
- Examine all the credit enhancement provisions and dynamics of the bond.
- Stress test based on various performance, pre-payment, interest rate and pricing metrics.
- Select only a handful of bonds out of every several thousand subjected to the analysis.

Due Diligence

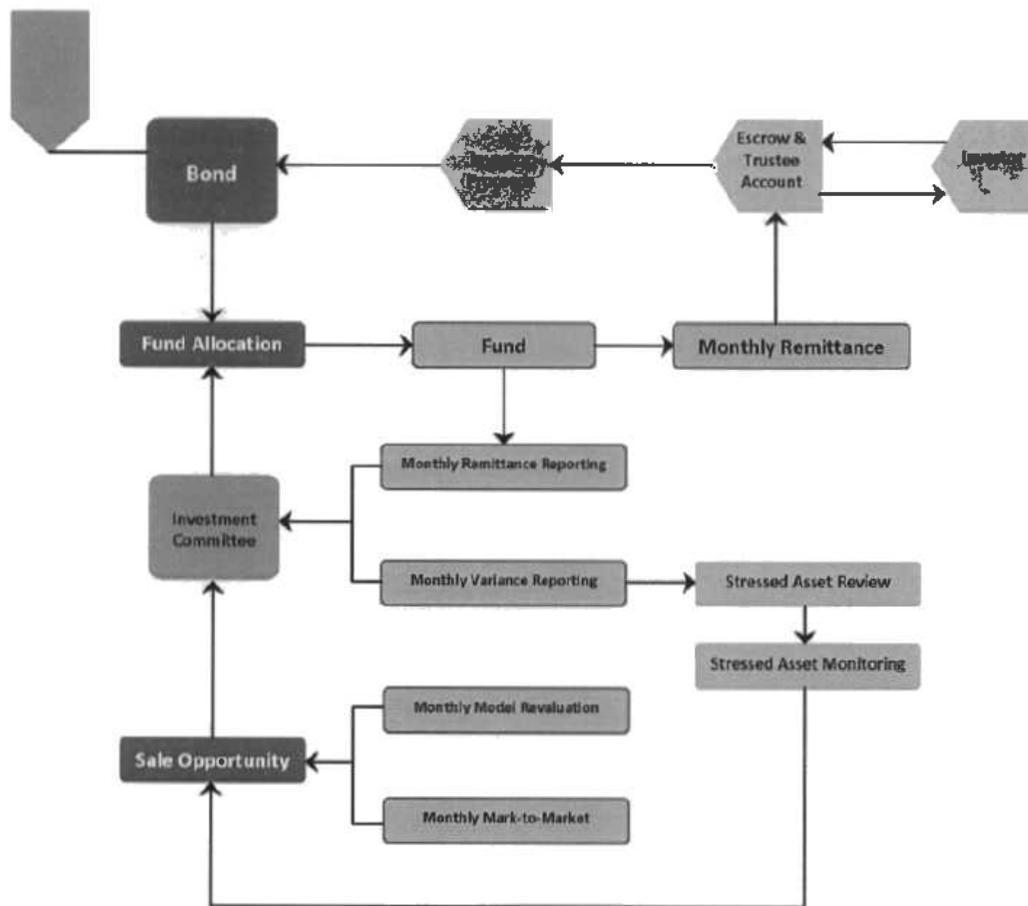


Due Diligence



Tier Two Assessment

Due Diligence



Tier Three Assessment

Exit Market for Bonds

- Actual bond cash flows will pay off the investors capital accounts.
- Current economy –no market for new securitized debt NOR market for selling existing debt.
- 3 to 5 years from now –there will emerge both market for new debt and for sale of existing bonds (close to par).
- Based on the Fund’s purchase price and due diligence, we project significant proceeds on sale.
- Banks, Hedge Funds, Investment Firms, and International clients will be primary exits.

Historical Performance

- ABS Investment Group's management team has originated, structured and managed over \$51 billion of RMBS from 2003 through 2007.
- None of the referenced securities have taken a principal write-down.
- In fact, going back to 1994 vintages (when individuals of the management team started securitizing mortgage loans), this management group has been involved in the securitization and management of over \$100 billion of RMBS, and again, none of the securities have taken a principal write-down.



ABS INVESTMENT GROUP BOND PORTFOLIO

MOVING FORWARD TOGETHER...

...Q4 2011

FUND ADVANTAGE

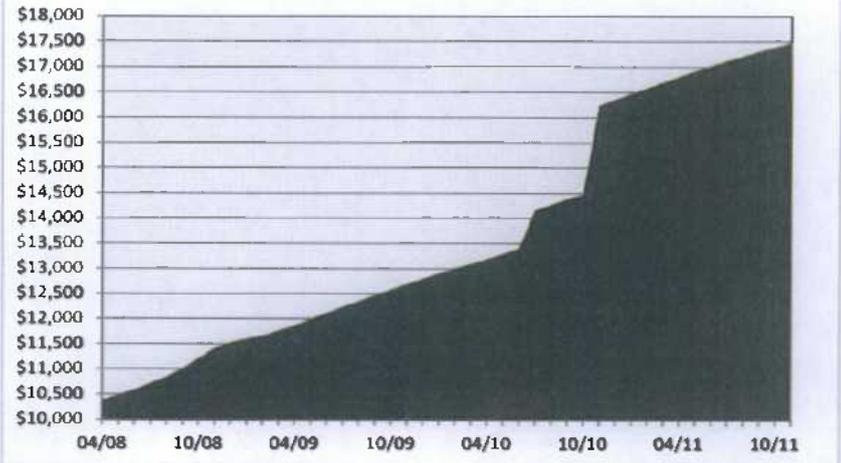
The ABS Investment funds seek a maximum return, consistent with preservation of capital and prudent investment management. The Fund is an alternative approach for money market and short term investors who seek enhanced returns paid monthly, appreciation and capital preservation. The Fund is an actively managed bond fund that invests in investment grade, short to intermediate duration mortgage-backed securities.

Residential Mortgage-Backed Securities offer investors a fairly priced means of diversifying their holdings, and entering the distressed real estate market, with high returns, immediate, predictable and reliable monthly payments, and managed risk. The spreads are wide compared to treasuries, equities, corporate, and real estate equity.

Residential Mortgage-Backed Securities fill a special niche and will be attractive to many investors. ABS Investment Group's clients invest either through separate funds or in pooled funds in limited partnerships. The investment process includes both strategy formulation and execution: research, acquisition of assets, active portfolio management and eventual harvesting of assets. Our flat management structure allows us to focus on client needs and respond quickly to an ever changing external environment.

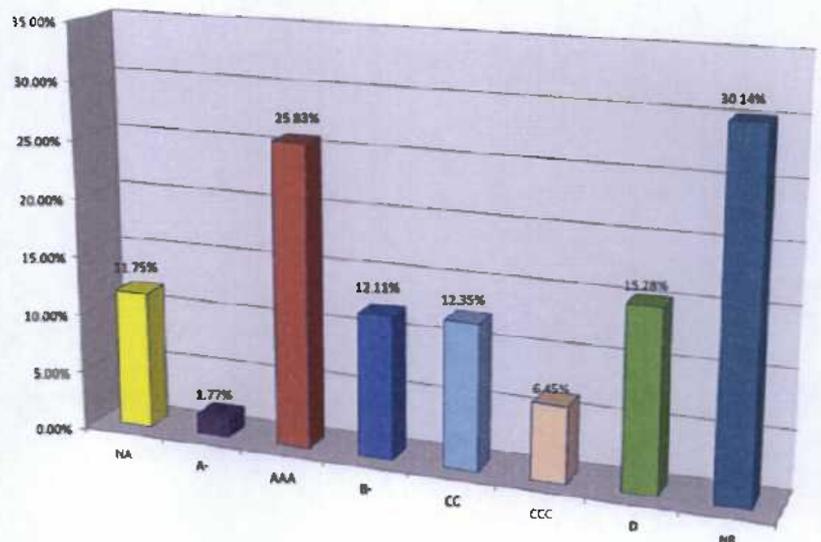
Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions. Please call ABS Investment Group at (877)560-6637 or visit www.absig.com for the most recent month-end performance.

GROWTH OF A \$10,000 INVESTMENT



% Average Annual Total Return

Without Sales Charge	1 Year	2 Years	3 Years	Inception
ABSIG Funds	11.17%	12.45%	12.98%	13.08%
Lipper Avg	3.77%	6.16%	8.55%	
Barclays US Aggregate	5.26%	6.62%	7.97%	
Lipper High Yield Corporate	2.48%	7.45%	12.41%	
Barclays High Yield Corporate	4.09%	7.13%	10.17%	



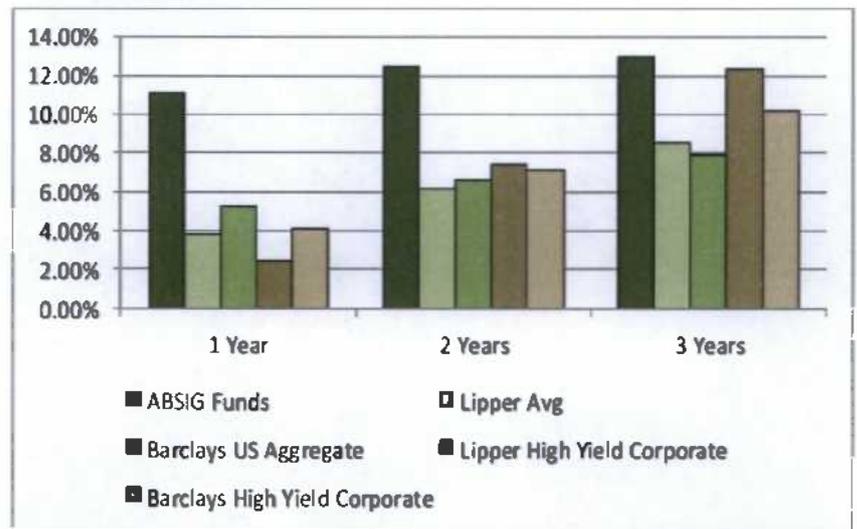
PORTFOLIO MANAGER

Mark Allan Aarvig
Since 2007

INVESTMENT TEAM

The Fund has assembled a management team with experience in acquiring, managing and marketing highly successful private investment funds. The team possesses the expertise, discipline and experience required to build impressive portfolios of past and present successes. The asset managers of the Fund have originated, structured and managed over \$100 billion of mortgage backed securities since 1994.

ANNUALIZED RETURNS



WHAT ARE THE RISKS?

Pricing of a typical mortgage is based on two sources of uncertainty: credit risk and interest rate risk. The added layer that Residential Mortgage Backed Securities (RMBS) introduces is timing of cash flow. With prepayment on Residential Mortgage Backed Securitizations, the holder does not receive the full term of planned interest payments, but such early prepayments increase the total return of the investment.

All of our RMBS contain credit enhancements. Credit enhancements size bonds to provide adequate protection, so as to ensure the timely payment of principal and interest. The most popular forms of credit enhancements that are characteristic in our Funds are subordination, over-collateralization, credit tranching, and excess spread.

Finally, the Fund acquires RMBS at significant discounts to their estimated market value and in turn, such discount represents additional credit enhancement.

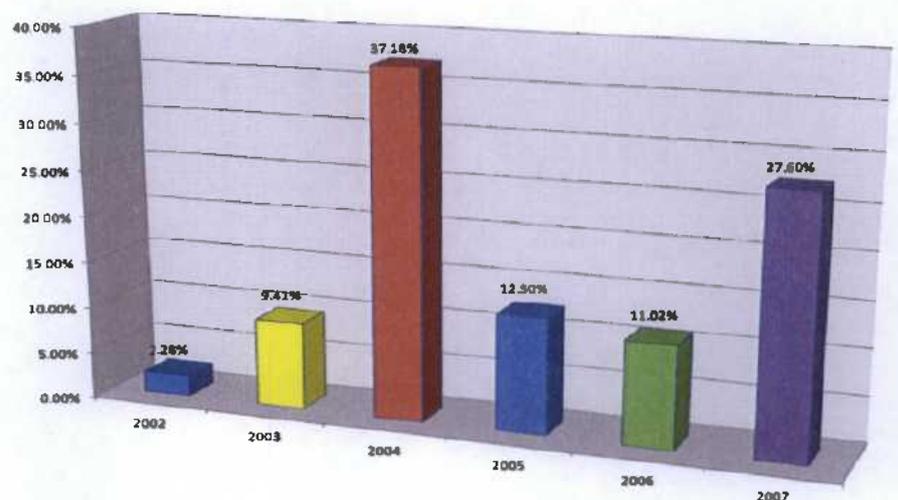
MANAGER'S PERSPECTIVE

"The Fund executes a unique approach to the mortgage-backed securities market that emphasizes actively managed exposure to the non-agency MBS market. The MBS market has been a critical source of current income and excess returns for ABS Investment Group since its founding, and the firm has a dedicated team of career mortgage-portfolio managers.

The Fund has a disciplined focus on value and security selection, which is supported by a sophisticated analytical platform that helps identify mispriced securities presenting attractive investment opportunities."

- Mark Allan Aarvig

VINTAGE ALLOCATION



1. As of Q4 2011. Holdings are subject to change. For updated information, please call ABS Investment Group at (877) 560-6637 or visit www.absig.com

2. The Total Return Calculations reflect an estimated yield to date. It should be regarded as an estimate of the fund's rate of investment income and actual principal value, and it may not equal the fund's actual income distribution rate.

Investors should consider investment objectives, risks, charges and expenses carefully, which are detailed in our prospectus. Please read our prospectus carefully before investing. For further information regarding ABS Investment Group funds, please call to speak with an investment manager. Investments are not FDIC insured or bank guaranteed and may lose value.



CONTACT INFORMATION:

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WEB: WWW.ABSIG.COM

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Investor Commitment from ABS Investment Group – What you will receive

- Quarterly Remittance Reporting
- Quarterly preferred return, principal and interest income payments
- ABS Investment Group TeamTalk newsletter
- Auditing by Deloitte

Conclusion

- ABS Investment Group is enabling, in a tax-efficient manner, private investors to participate in a high-caliber opportunity that would normally be reserved for institutional investors.
- RMBS securities offer investors a fairly priced means of diversifying their holdings, and entering the distressed real estate market, with high returns, and immediate, predictable and reliable quarterly payments.
- The spreads are wide compared to treasuries, equities, corporate, and real estate equity. The due diligence will identify bonds with value, performance and credit support.
- The fund will invest where risk is mispriced, and offer investors high returns, and stable payments in a volatile and dislocated market.
- Accordingly, RMBS fill a special niche and are attractive to many investors.

Servicer Providers

- Trustee

- LPL Financial

- Custodian

- Bank of America

- Commerce West Bank

- Legal Counsel

- Baker & McKenzie LLP

- Jones Day LLP

- Auditor

- Deloitte & Touche

- Analytics Providers

- Bloomberg

- Intex

- Polypath

- LPS Analytics

- Lewtan Technologies

- JP Morgan BondStudio

- Barclay Capital Live

Appendix 4

FINANSINSPEKTIONEN

Ink. 2012 -07- 20

Dnr.

Mark Bishop
BALANCE SHEET
JUNE 30, 2012

June 30, 2012

Assets:

Current Assets

Checking/Savings

10200 · Commerce West Bank

Total Checking/Savings

\$ 672,393

Other Current Assets

14900 · Marketable Securities (at lower of cost or market)

Total Other Current Assets

378,950

Total Current Assets

1,051,343

Other Assets

17100 · Investment in ABS Investment Group

5,542,732

17200 · Investment in ABSIG, LLC

6,004,141

17300 · Personal Property

200,000

Total Other Assets

11,746,873

Total Assets

\$ 12,798,216

The accompanying notes are an integral part of these financial statements.

Mark Bishop
BALANCE SHEET
JUNE 30, 2012

June 30, 2012

Liabilities and Equity:

Liabilities

Current Liabilities

Other Current Liabilities

23200 · Accounts payable

\$ 24,250

23220 · Income taxes

36,490

Total Other Current Liabilities

60,740

Total Current Liabilities

60,740

Accrued taxes on unrealized appreciation

1,800,000

Total Liabilities

1,860,740

Equity

30100 · ABS Investment Group, LLC

Net worth, Mark Bishop

Total 30100 · ABS Investment Group, LLC

10,937,476

Total Equity

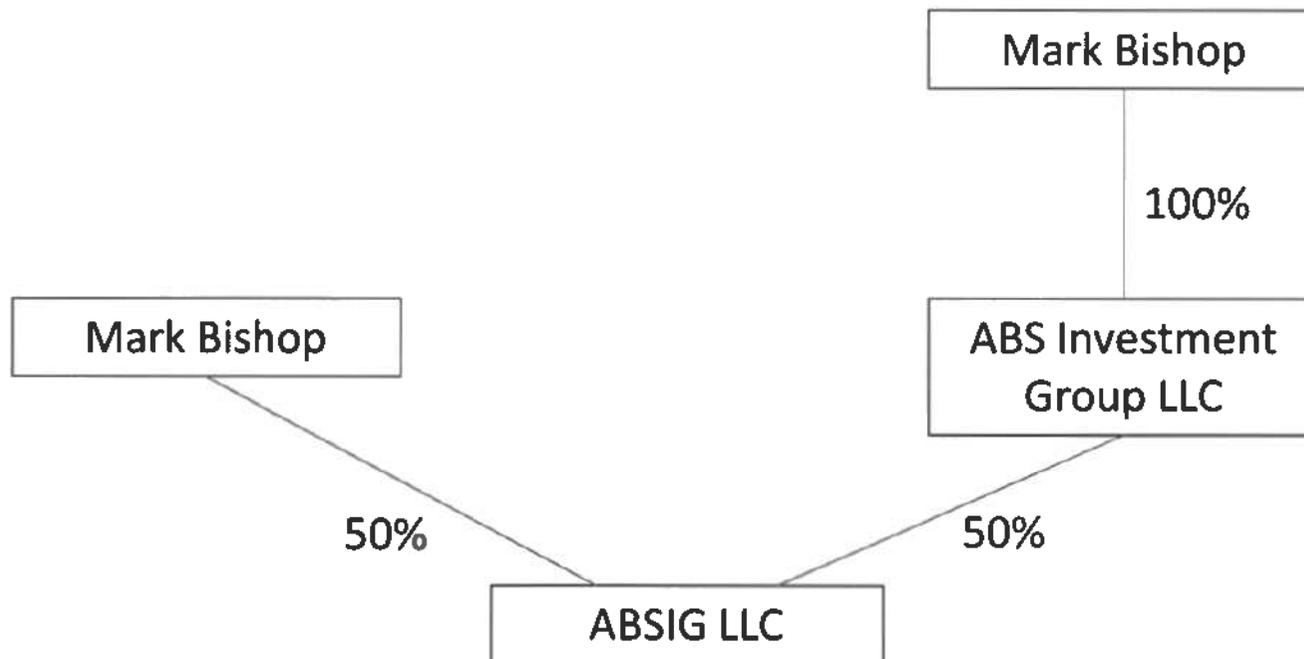
10,937,476

Total liabilities and equity

\$ 12,798,216

The accompanying notes are an integral part of these financial statements.

Ownership structure



FINANSINSPEKTIONEN
Ink. 2012 -07- 20
Dnr.

Appendix 5

J. Thomas Epperson & Co

CERTIFIED PUBLIC ACCOUNTANTS

22361 Ridgebrook Drive
Mission Viejo, California 92692
(503) 510-9198
epperjt@gmail.com

Charlotta Olsson, Lindahl,
Master Samuelsingatan 20
Stockholm SE-101 39
Sweden

Dear Ladies and Gentlemen

Please allow this letter to confirm that I have represented ABSIG LLC since its inception in 2008. I have handled all Tax and Accounting matters since that time. I am also familiar with the pending acquisition of "Traction" and how it will be financed.

ABSIG LLC will acquire "Traction" and finance its ongoing operations from current and retained earnings.

The transfer of monies for the acquisition of "Traction" and for operational funds will be an international wire, transferred from ABSIG's bank account at Commerce West Bank, Irvine, California to the appropriate accounts in Sweden.

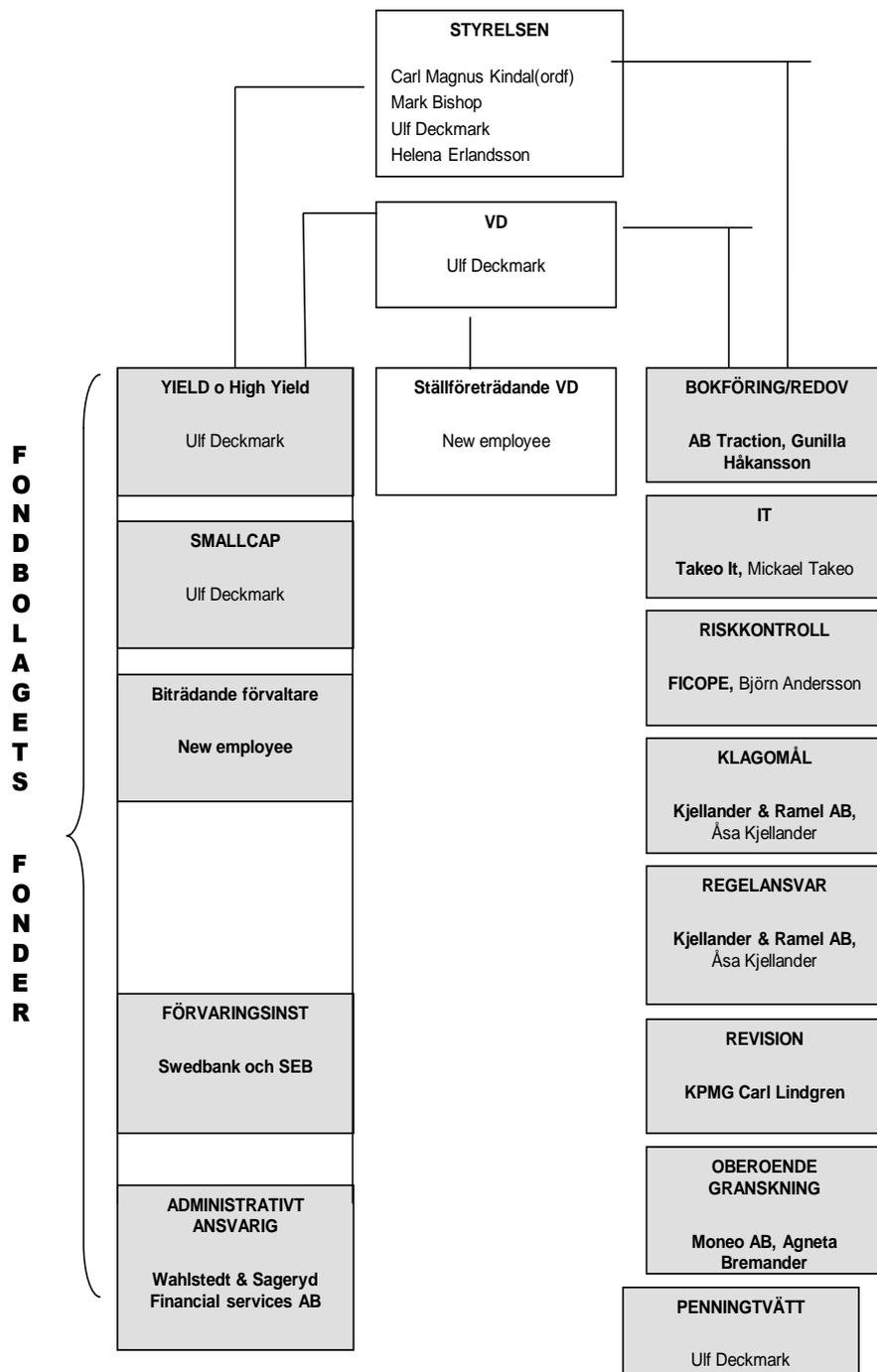
I can certify that aforementioned transaction and its structure is accurate and will be consummated as outlined above.

Should you have any questions or concerns, please do not hesitate to contact me. Thank You.

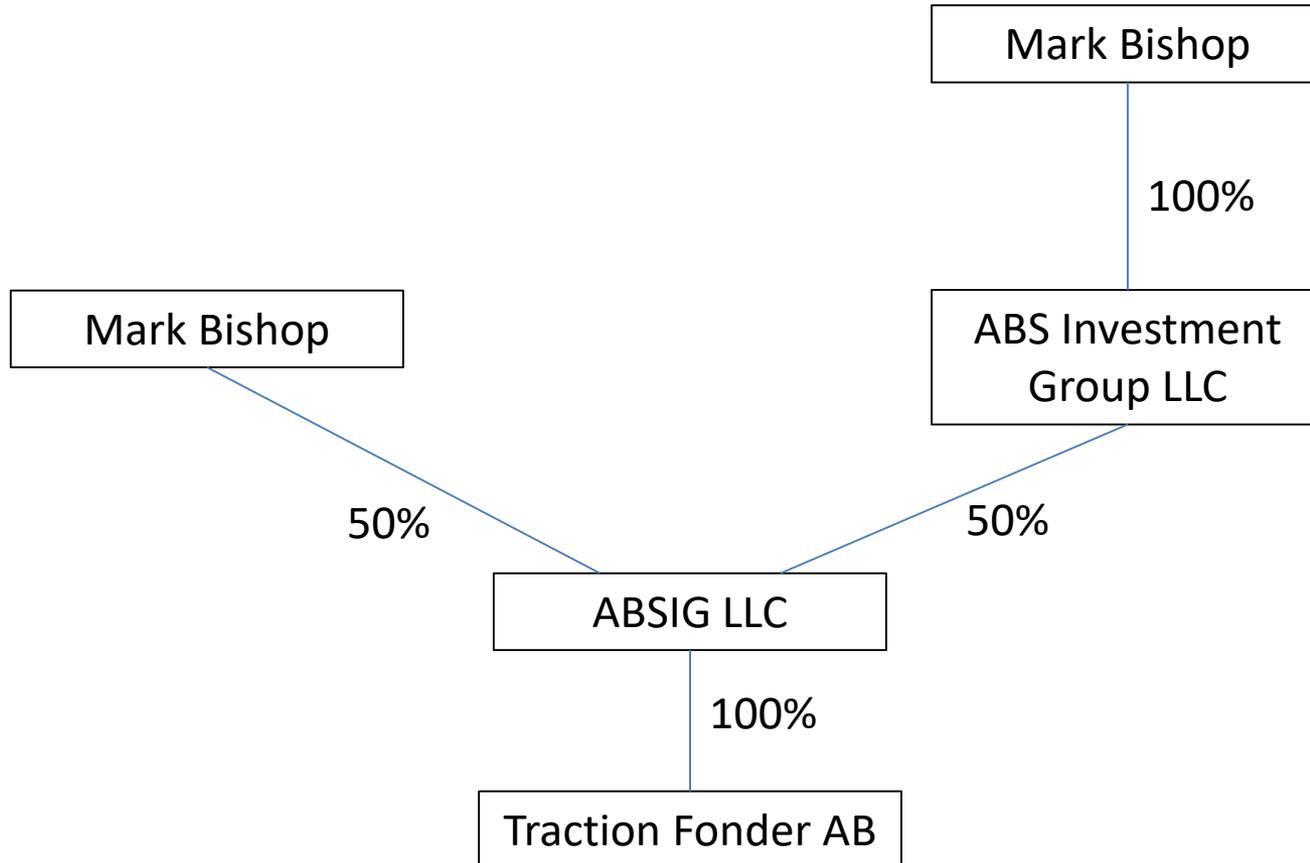
Sincerely,

 7/18/2012

J Thomas Epperson, CPA



Ownership structure



CV
MARK BISHOP
January 2012

Mark Bishop, Managing Director and CEO of ABSIG LLC and ABS Investment Group (ABSIG): Mr. Bishop has 25 years of experience as a leader in the mortgage securitization markets. His Wall Street career began with Drexel Burnham Lambert, structuring and trading high yield bonds, fixed income products, and MBS. Previously, Mr. Bishop was President of Impac Mortgage Acceptance Corporation in Irvine, CA. At Impac, Mr. Bishop oversaw the organization, the purchase of bulk whole-loans, and the subsequent pooling and securitization of non-conforming mortgage debt, with annual volume in excess of \$10 billion in the years 2001 to 2006.

ABSIG was founded in October 2007 with Mark Bishop as a founding partner. Mr. Bishop and the rest of the management team have been responsible for creating many of the securities that ABSIG actively trades today. ABSIG manages Funds based in the United States and Canada, and accounts for both U.S. and non-U.S. investors, employing a variety of investment strategies. ABSIG has generated returns for its funds investors in excess of its peer group in every year since 2007. Additionally, the Firm invests its capital alongside its clients' capital.

ABSIG manages its Funds, pursuing a relative value investment strategy with the objective of capturing a stable and reliable income stream, minimizing return volatility over time, and capturing significant capital appreciation. The Firm holds positions in mortgage-backed securities. ABSIG utilizes sophisticated underwriting and cash flow models, including proprietary systems to ensure all investments outperform market expectations and its peer group, and hedge against changes in interest rates and other market events.

ABSIG's MBS trading and fund management experience, and analytical skills are at the industry's cutting edge as viewed from either the buy or sell side of the market. Prior to forming ABSIG, six members of the management team constituted the nucleus of Impac Mortgage Holding's MBS trading and research group. The management team's members have obtained academic training in economics, mathematics and engineering.

HISTORY:

May 2006 to Present

ABSIG LLC – 1176 Main Street, Suite 300, Irvine CA 92614

President; ABSIG LLC (“ABSIG”) is managed by a highly skilled team of professionals with several decades of experience in the M&A, capital markets, and securities industry. Their depth of experience ranges from fund management, analyzing and underwriting, aggregating, structuring, securitizing, trading and operations. Their combined experience transcends the entire array of the equity and capital markets, and has allowed ABSIG to build a solid value-driven platform, and continuously provide the Company and its investors with a consistent and reliable above market return. ABSIG has managed funds in excess of \$250 million, in the United States and Canada. ABSIG has generated returns in excess of its peer group in every year since 2007.

March 2009 to November 2009

KOENIGSEGG GROUP AB – Valhall Park, Angelholm, Sweden 26274

Manager, Director, Capital Markets, Shareholder; Koenigsegg Group was developed for the sole purpose of the acquisition of SAAB from GM. Mr. Bishop secured the commitment from GM to purchase SAAB, transferred the commitment to Koenigsegg Group and was responsible for strategic planning, capital markets, including all negotiations with Sovereigns, GM, NDO and EIB. Mr. Bishop developed a significantly scaled back business plan and a fundamental approach to the automotive industrial business. Right-sized volume was met with reduced operating expenses to achieve a break-even point utilizing existing resources. Future models, innovation, growth and employment opportunities for Vastra Gotaland would be made available through retained earnings. The business and variations of the

business plan, rights title and interest were transferred to Spyker in November 2009.

June 2006 to November 2009

KOENIGSEGG AUTOMOTIVE AB – Valhall Park, 26274
Angelholm, Sweden

Vice President, Capital Markets, Shareholder; Mr. Bishop was responsible for strategic planning of the Company, involved in generating IPO offers for the Company and capital raising. Koenigsegg Automotive AB has established itself as a leading edge and an important brand in the Supercar market segment. This segment is one of the most profitable within the automotive industry offering high secular growth and pricing power. Koenigsegg successfully completed the entrepreneurial early-stage, obtained approved and tested products and entered a growth phase, during this period. The management of Koenigsegg, and the group around it, has a proven track record of automotive experience, strong entrepreneurial and technical skills, and low volume sports cars production experience for large car manufacturers.

September 2001 to April 2006

NOVELLE FINANCIAL SERVICES – 15050 Avenue of Science
Suite 101, San Diego, California 92122

President; Mr. Bishop purchased and managed this nationwide mortgage loan wholesale and retail origination platform. Volume in excess of \$1.5 billion annually. This residential mortgage company incorporated web-based loan decisioning and operating technology (“IDASL” and “ONE”) and high customer service levels to offer a deep “one-stop” product line and an aggressive growth plan.

October 2000 to April 2005

IMPAC MORTGAGE ACCEPTANCE CORP. – 1401 Dove Street,
Newport Beach, CA 92660

President; Investment banking, bulk whole-loan purchasing and subsequent pooling and securitization of non-conforming mortgage loans, with volume in excess of \$2 billion annually. Utilized web-based pricing systems and operating technology (“IDASL”).

December 1988 to September 2000

BRENTWOOD FINANCIAL GROUP (“BFG”) – 7310 Miramar Rd.,
San Diego, CA 92126

Partner/Founder; The company engaged in the bulk purchase and subsequent pooling and sales of conforming and non-conforming residential mortgage loans on a national scale. Firm sells all of its acquisitions on a whole-loan, service-released basis, or mortgage-backed securities. Responsibilities extend to the entire operation of the firm, including maintenance of seller and investor relationships, (which include major finance companies, savings banks and investment banks); negotiation of commitments and contracts; mortgage pipeline management (hedging activities); supervision of credit underwriting, collateral review and final loan documentation. Brentwood purchased in excess of \$350 million annually.

December 1995 to December 1998

FIRST STREET MORTGAGE CORP. – 7310 Miramar Rd., San
Diego, CA 92126 – Jacksonville, FL

Co-Founder and Chairman of the Board; This residential mortgage loan company originated sub-prime loans nationwide out of 30 retail and wholesale branch offices, with volume in excess of \$120 million per month.

December 1994 to January 1996

COREWEST BANC – 7310 Miramar Rd., San Diego, CA 92126,
Westminster, CA

Co-Founder and Chairman of the Board; This successful mortgage loan company originated residential mortgage loans nationwide. The company was sold to Industry Mortgage Corporation in January, 1996, with volume in excess of \$70 million per month.

January 1984 to November 1988

DREXEL BURNHAM LAMBERT – Beverly Hills, CA

Vice President; Mr. Bishop managed fixed income products and unrated private placements of real estate debt (commercial and residential) with institutional clients in the national secondary mortgage market.

EDUCATION:

B.A., Economics, University of California at Los Angeles (UCLA),
1978

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USA

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Sweden

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+46 709 93 35 38
mbishop@absig.com

TRACTION

— FONDER —

Business Plan 2012

Traction Fonder AB
(org nr 556673-5758)

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 - 1.7 Target Group
 - 1.8 Sales and Marketing Plan
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1 THE COMPANY'S OPERATIONS

1.1 The Company and the business idea in brief

Traction Fonder AB ("Fondbolaget"), previously Thenberg Fonder AB, is a fund company under the supervision of FSA and the company manages two special funds, *Yield* and *SmallCap*. Permission to conduct fund operations was announced by FSA November 28, 2005, and the fund company's name at that time was Bergsgård & Petersson Fonder AB.

The company's headquarters is located on Biblioteksgatan 3, 2tr, in central Stockholm. And there is a secondary office location at Hammarby Kaj 16, Stockholm. The number of employees currently amounts to two persons. Fondbolaget uses SEB and Swedbank as depositary. The bulk of trading in securities is done through SEB, Nordnet and Avanza, Swedbank, ABG, OP, Öhman and Remium. Fondbolaget has no branch in another country and does not conduct cross-border activities. However, Fondbolaget may approve regulated broker/dealers in other countries in order to access more deal flow of performing, secure, high-yield bonds.

Fondbolaget began operations November 28, 2005, with only one fund to manage, *Hedge*. The Board of Directors decided in July 2006 to expand the fund company's operation, and as part of this expansion three funds were started – the Nordic Hedge, Macro Hedge and Fund-in-Fund, which received their licenses December 1, 2006.

In light of the weak management result for the company's funds as well as an inflow which did not meet budget, the owners of the former Bergsgård Petersson Fonder AB then decided, during 2007, to sell the fund company to Thenberg & Kinde Fondkommission AB who received FSA acquisition permit December 21, 2007.

On May 1, 2008, the fund company started to manage the funds *Ecotech*, *SmallCap* and *Covered Call*.

In February 2009, Thenberg Fonder AB was authorized by the FSA to acquire the fund *SmallCap* from Stockholm Asset Management AB.

On February 4, 2010, FSA approved the sale of Thenberg Fonder AB to Traction Invest AB, and then the fund company changed its name to Traction Fonder AB. To sell the company to a long-term and financially strong player like Traction, was what that the owners of Thenberg Fonder AB believed to be the best for the unitholders.

The funds *Hedge*, *Nordic Hedge* and *EcoTech* closed down and was transferred to the SEB depositary August 1, 2010. The funds *Covered Call* and *Fund-in-Fund* closed down and was transferred October 18 and November 1, 2010 to the SEB depositary. The funds *Track Traction* and *Global Value* closed down and was transferred to the depositary December 5, 2011.

December 15, 2011, an application for the sale of Fondbolaget was submitted to FSA and as of April 23, 2012, the buyers received a refusal to purchase the fund company. There are ongoing discussions selling the fund company to ABSIG LLC, only subject to FSA approval, such approval is expected about October 31, 2012.

Business idea

Traction Fonder AB shall annually generate such good returns and act so professionally so that Traction Fonder becomes the natural and most competitive value-added choice for clients.

Strategy

Strategy for Traction funds is to eventually create the conditions for positive annual returns and to outperform the benchmark and competitors by daring to think differently and to dare to be first with new values and new business ideas.

Structured focused management based on their own fundamental analysis where the main source of information is the information from companies, analysts and other informative sources, in addition to in-house due-diligence.

All staff and the Board shall continuously endeavour to identify new potential clients.

The Management of the Company shall use existing contacts, dealers, marketplaces, different management companies to generate volumes of funds (acceptable investments).

Activities shall be guided by high ethics and morals, order and focus on regulatory compliance. Investments shall first focus on preservation of capital and second on outperforming our peer group.

The organization is characterized by responsiveness, experienced and competent management and staff.

1.2 The Company's funds

1.2.1 General

Fondbolaget manages among other things special funds, meaning fund rules that provide a relatively high degree of flexibility when it comes to management. The choice of focus for the funds is motivated partly by the managers' experience and skills, partly by market considerations regarding the possibilities of a good property management and profiling on the Swedish fund market.

The funds aim to generate a good risk-adjusted return on equity or fixed income markets and funds are more or less dependent on cash-on-cash

returns and increasing prices in the equity markets and the fixed income markets. Fund rules, customer contracts, trade opportunities, deposit limits, etc. are also harmonized as much as possible, in order to make it easy for customers and to simplify the administration of the company.

The fee structure for all funds consists of a fixed management fee, which is calculated as an annual percentage rate on investment. One of the funds also has a performance fee, which is charged only if the return exceeds the benchmark. Regarding the variable fee, the so-called high water mark principle is used. This means that the fund must first recapture any loss against the benchmark before Fondbolaget receives the variable management fee and this is calculated individually.

Yield has a fixed management fee of 1 percent per year, calculated and withdrawn monthly from the fund.

SmallCap has a fixed management fee of 1.5 percent per year, which is calculated and withdrawn monthly from the fund. The performance fee is calculated with 20% of the fund's return over a three-month Treasury bill, and differs from the other funds and is calculated individually for each shareholder. Compensation is only payable when the shareholder's relative performance has a positive return, and if the shareholder a particular month reaches a negative return, and if it's a positive relative performance a later month, no performance-based compensation is payable until previous month's return is compensated.

High Yield has a fixed management fee of 2.35 percent per year, calculated and withdrawn monthly from the fund.

1.2.2 *Yield*

The fund *Yield* is an actively managed interest fund whose investments should be high yielding. The fund's goal is to provide a return of over 5 percent annually to a limited risk. The Fund's risk, measured by a standard deviation over time, is expected to be around 3-15 percent. This is higher than for a traditional interest fund but less than a pure mutual fund.

1.2.4 *SmallCap*

SmallCap Fund is a special fund that focuses on small and medium sized Swedish companies.

The foundation in the administrative work is fundamental equity analysis and to identify a number of shares that the trustee really believes in. The fund will both short shares and use the OMX index futures to protect the fund or reinforce trends.

The goal is to protect investors' money when a deeper and prolonged recession occurs. The goal is that in a rising stock market deliver a return equal to the index, but at a lower risk.

The market is over long periods of time "efficient", but inefficiencies in the market occurs occasionally in the short term. By using the inefficiencies we can add stronger returns and with active analysis, we can take advantage of the inefficient price-setting on the market.

Extensive experience in analysis and management, combined with an analytically-driven investment process and risk management is a prerequisite for success. The individual stock valuation is the fund's main focus, and an investment is made when managers have a clear idea of the share's value.

1.2.5 *High Yield*

The *High Yield* Fund is a Ucits 4 fund that is to be listed at PPM. The Fund is an actively managed interest fund whose investments should first preserve capital, and second be high yielding. The fund's goal is to provide a return of over 5 percent annually to a limited risk. The Fund's risk, as measured by standard deviation over time, is expected to be around 3-15 percent. This is higher than for a traditional interest fund but less than a pure mutual fund.

1.3 Target Group and marketing plan

1.3.1 *Target*

Traction Fonder AB is an independent fund company that creates customer value by offering fund administration in their own-managed niched funds with the goal of creating value for our customers by high risk-adjusted returns. The fund administration's target group is retail markets, companies, institutions, foundations and organizations.

The target group is divided as follows:

- Residential Customers (exempt savings)
- Private customers (tied savings such as PPM and insurance)
- Companies
 - Insurance companies with their own insurance
 - Insurance companies that are brokers of other's insurances
 - Fund-in-Fund company that invests in other funds
- Holding companies
- Trading Platforms
- Independent advisory companies
- Trust funds
- Institutions
- Organizations

Other potential retailers

To reach administration volume, we need resellers that are compensated to sell our funds. This target group is among insurance brokers, private customers with good network and holding companies with free investment mandate. The downside is that this selling takes time and selling costs are significant because of compensation to dealers, between 50 to 80% of the management fee.

Private individuals and organizations are accessible through advertisements in various media and through Traction Fonder featuring a good risk-adjusted return. Furthermore, the private market is to be accessed through resellers. Wealthier private customers and businesses are processed primarily through customer visits by Traction Fonder's and Thenberg & Kinde Fondkommission's network.

Smaller insurance companies with their own insurances are interested if the need comes from their brokers or that the risk-adjusted returns are so good that they take the fund right away.

Insurance companies that sell other companies' insurances are difficult because it is almost impossible to get our funds registered with the insurers whose policies they sell, since they primarily want to sell their own funds or require a long performance history. Instead one should probably focus on the insurance brokers' advice to the clients' other fund savings outside the insurance savings, but not all companies are offering this type of advice.

Fund-of-fund companies are mostly interested when management volume per fund is between 50 to 100 million since they do not invest smaller amounts than 5 to 10 million and may not have a share greater than 10% of its assets in the invested funds.

Management companies that hold a model portfolio for their clients with investment opportunities in external funds are of interest. Also advisors / managers in holding companies who are able to sell external funds to their clients.

Trading facilities are of interest to reach the individual- and business mass market. Requires processing of affiliated companies as well as advertising.

Independent advisory companies are interested as long as we have several good funds to offer with a good risk-adjusted return, combined with compensation.

Trust funds that are a bit smaller may be of interest. SEB and a few others manages and administrates at least 70 % of the major trust fund.

Major Institutions and organizations only invest when each fund's management volume reaches 300 to 500 million SEK, and when we have three years good risk adjusted return. They also check our procedures, ethics, documentation, etc.

We believe our customers will choose our funds because they want to have better risk-adjusted returns than index management and mutual funds deliver. Alternatively, they seek a better spread of risk in their portfolio and want a bigger exposure to the market and the fund they invest in. We expect our customers to be far more interested in making an active fund selection than the average customer and who intend to be long term investors.

1.3.2 Sales and Marketing Plan

Fondbolaget has tried a variety of sales and marketing channels, and has the intention to continue to actively pursue this line of work. We will constantly evaluate the results of any sales and marketing campaign in order to control the activities of the channel that produces the best results. Below are a few examples of implemented and planned marketing and sales activities.

- **Traditional advertising:**

Fondbolaget will, to a lesser extent, work with traditional advertisements in printed media and on internet. Publication of advertisements is usually done in business magazines (for example Business World, Business Week and Market Week) and on financially-oriented websites.

- **In-house telemarketing:**

CEO, employees and trustees shall actively call and book visits with prospective clients for Traction Fonder. For this purpose a prospectus register - always to be kept up to date - has been established.

- **Own website:**

Fondbolaget has a website, www.tractionfonder.se. The website publishes general information about the company, press releases, customer contracts, monthly letters and also provides indicative and official NAV prices. Due to cost, the website has so far not offered functionality for customers to login and take advantage of transaction records, bank statements, etc. However, Fondbolaget aims to eventually implement such features.

- **Newsletter:**

Fondbolaget publishes newsletters / monthly newsletter where we write about the Makro economy and how the funds developes. The newsletters / monthly newsletter are distributed free by e-mail to customers and other stakeholders.

- **Retailers:**

Fondbolaget's funds are marketed and sold on the so-called fund marketplace, that is through a securities company that distributes a large amount of funds (including Avanza, MFEX and Nordnet). These sales channels will primarily charge for distribution with a certain percentage of the management fees. The distributors generally have managed accounts with the fund companies whose funds are distributed, and when the distributor sells the fund, Fondbolaget only has the distributor as a customer and avoids the cost of administering all underlying clients. Furthermore, cooperation with a smaller number of insurance agents will be established.

• *Seminar:*

Fondbolaget will arrange in-house seminars, and in collaboration with other finance providers invite potential buyers to these seminars. The theme of the seminars will vary, but essentially, of course, refer to the respective fund management strategies, and generally about the "special funds".

2 OWNERSHIP

Fondbolaget has a registered capital of 1,612.500 SEK, divided into 150,000 shares. All shares in the fund company are presently owned by Traction Invest AB, corporate identity number 556673-5691, which in their turn is fully owned by AB Traction that is listed on the Stockholm Stock Exchange since 2000.

3 GROUP DESCRIPTION

AB Traction is through Traction Invest AB 100% owner of Traction Fonder AB. The ownership structure within the group can be graphically illustrated as follows:

AB Traction (100%) —————> **Traction Invest AB (100%)** —————> **Traction Fonder AB**

Upon FSA approval the ownership structure within the group can be graphically illustrated as follows:

ABSIG LLC (100%) —————> **Traction Fonder AB**

4 MANAGEMENT LIST

Fondbolaget's management group consists of the following people:

Deckmark Ulf – Ulf is the CEO of Traction Fonder AB and portfolio manager for SmallCap, Yield, High Yield and administration.

New employed - fund manager and deputy administrator

Besides Ulf Deckmark the Board consists of the following:

Carl-Magnus Kindal – Carl-Magnus is the Chairman, and has extensive experience in business management and working in the securities and financial sector. Carl-Magnus is the former president of Thenberg & Kinde Fondkommission AB.

Mark Bishop – Mark is a board member and has extensive experience in business management and working in the financial sector.

Helena Erlandsson – is a board member and is working with compliance in the financial sector.

5 ECONOMIC CONDITIONS

5.1 General information about the company's costs

Fondbolaget's main expenses are salaries, compensation for outsourcing various functions, office costs, distribution payments and costs for rule checking. It is the company's policy to have low costs. The company will not make any major investments or initiate major marketing and sales activities until the financial result allows, and the managed earnings have reached a certain size.

In the long term perspective salaries, outsourcing and the cost for regulatory compliance.

5.2 General about the company's revenues

Fondbolaget's revenues consist of the following:

- Fixed management fee for the funds managed
- Variable management fee
- Income from financial positions, such as bank interest, appreciation and trading.

The fixed annual management fees are between 1 and 1.5 percent, which is levied by one twelfth per month. In addition, Fondbolaget is taking an incentive fee based on 20 percent of the excess return of the SmallCap Fund – the principle of high water mark is applied to the fund, see the fund rules for further definition.

5.3 Results

See financial statements for each year for more information.

5.4 Budget for Traction Fonder

FINANCIAL TRACTION FUNDS
2012-06-19

Forecast	2012	2013	2014
Fund assets (AUM)	200 000	675 000	1 375 000
Revenues			
Fixed charge 1.00%	2 000	6 750	13 750
Variable performance fee 0.0%	0	0	0
Total revenues	2 000	6 750	13 750
Costs			
CEO salary	1 248	1 400	1 600
Salary employees (Fund Manager)	1 000	1 100	1 300
Salary employees (Fund Manager)	0	1 000	1 200
Expense Board	50	300	330
Web Support	30	60	30
Data Info Online trades	22	30	50
Data support and back up Takeo IT	30	40	55
Travel	20	20	20
Equipment and office supplies	10	10	10
Telephone	12	18	22
Magazines/books/external info	9	14	18
Representation	12	24	36
Marketing	10	30	65
Accountant Fund company + Funds	65	70	75
Accounting Fondbolaget + Tax Funds	60	60	60
Rental	96	110	130
Fund Companies Association Navkurs	3	4	5
Moneo Internal Auditor	60	60	60
Wahlstedt & Sageryd Backoff	720	750	800
Kjellander & Ramel Compliance	211	211	211
FI application fees	50	75	100
FI regularly fees	20	20	20
FICOPE Risk Control	262	275	285
Liability insurance Board and CEO	30	35	38
Other	35	38	42
Total expenses	4 065	7 140	6 562
RESULTS Before Tax	-2 065	-390	7 188

5.5 Financing

The fund company has over history conducted a number of new issues to ensure the company's financial position. Additional capital contributions will be made in 2012.

6 ORGANIZATION

6.1 General description of the organization (see also encl. Business organisation doc.)

The company currently has one employee, Ulf Deckmark. The company intends to hire a new asset manager and deputy administrator. The Chairman of the Board acts as a support and back up for the company's employees. None of the employees are employed by any other company.

Since the company has few employees, there is a contingency plan in case any of the employees would be absent due to, for instance, long-term illness. In the company's continuity plan there is a more detailed report in this regard.

Traction Fonder AB has been in operation since 2005. All the company's administrative routines have been developed and operate efficiently.

6.2. The staff person has the following overall functions:

Ulf Deckmark	CEO, portfolio manager and administrator
New employed	Asset manager and deputy administrator
<i>Other people and functions:</i>	
FICOPE AB, Bjorn Andersson	Independent risk control
Kjellander & Ramel AB, Åsa Kjellander	Compliance Manager and Complaints
Takeo It, Mickael Takeo	IT / IT Security
Adetto AB, Kjell Bengtsson	Finance and bookkeeping
Meneo AB, Agneta Bremander	Internal Audit (independent review)
KPMG, Carl Hakan Lindgren	Auditor
Wahlstedt & Sageryd AB	Back office functions of among other things NAV quotation and handling shares

Management / analysis

Ulf is the person responsible for managing the funds, while a new employed fund manager will be assistant manager and will be responsible for the administrative parts. The analysis and management are also discussed, both in the market as a whole and for individual holdings. The new employed fund manager will also check that the proposed changes to securities correspond with the fund rules and other regulations. Ficope AB also checks daily that the fund rules and any internal investment rules are followed.

Management Meetings

Management meetings are held twice a year and at these meetings topics as compliance, business situation, economics, management, etc are discussed.

Custodian

Fondbolaget uses SEB and Swedbank as depositary.

Securities trading

Today Fondbolaget especially uses Avanza, Nordnet, SEB, Remium, Pareto, ABG and Swedbank as commissioners of securities transactions. The trade that has been conducted proposes Swedish listed shares for SmallCap. Yield trades are done with other types of instruments such as corporate bonds, High Yield bonds, convertible bonds, preferred stock and foreign exchange derivatives, and for this type of business primarily SEB, ABG, Pareto and Swedbank are engaged.

Economy

CEO Ulf Deckmark is responsible for the finance function to work properly. Presently, Gunilla Håkansson manages the current accounting and is employed at AB Traction. Krister Magnusson, who is the Group Reporting Manager at AB Traction handles tax calculations and some reports.

Compliance

Kjellander & Ramel AB, Åsa Kjellander, is hired for the compliance function in the fund company.

Risk Control

Björn Andersson (FICOPE AB) is responsible for the fund company's independent risk control, see risk control adopted by the board.

Sales

Ulf Deckmark is (as acting CEO) ultimately responsible for marketing and sales.

Auditor

Fondbolaget has selected certified auditor Carl Håkan Lindgren at KPMG.

Backoffice

Wahlstedt Sageryd & Financial Services AB manages the funds back office functions, among other things NAV established prices, fund cooperative management, reports to FI, dividend management and control of dualities from securities transactions.

Customer service / office staffing

Fondbolaget is staffed when the stock market is open, that is, between 09.00 and 17.30. During this time, customers can call and ask questions. Every fund also has a assisting manager, and when the responsible manager is absent due for example illness or holiday, the assistant manager handles everything.

Recruitment

Fondbolaget does not intend to recruit any new staff.

7 OUTSOURCING

7.1 General

The company conducts all management in house and doesn't hire any external resources for this mission. The main activities that Fondbolaget will commission someone else to do are the following:

- a) Custodian / commercial: Fondbolaget engages SEB and Swedbank as depositaries and SEB as commercial bank.
- b) Backoffice: Fondbolaget has signed an agreement with Wahlstedt & Sageryd Financial Services AB for handling the NAV quotation settings, the handling of funds, duality control of among other things securities transactions and reports to FI.
- c) IT services: Some parts of Fondbolaget's IT operations are procured by the company Takeo It, Mickael Takeo, Warfvinges Väg 32, 112 51 Stockholm, telephone +46 (0)8-546 999 22, www.takeo.se.
- d) Compliance: Fondbolaget has signed an agreement with Kjellander & Ramel AB, Åsa Kjellander, Biblioteksgatan 3, 111 46 Stockholm, Sweden, www.kjellanderramel.se.
- e) Responsibilities for independent risk control has been procured by FICOPE Finanskonsult AB (Björn Andersson), Hagalundsgatan 5, 10tr, 169 65 Stockholm, telephone +46 (0)70-445 22 16, www.ficope.se.
- f) Agneta Bremander at Moneo AB, has been appointed as the internal auditor. Jakobsbergsgatan 8, 6tr, 111 44 Stockholm, telephone +46 (0)8-442 32 20, www.moneo.se.

g) Fondbolaget has signed with Wahlstedt Sageryd Financial Services AB to manage the back office administration. WS has a very high level of expertise in the area and no conflicts of interest have been identified.

7.2 Storage Institute / commercial bank

As mentioned above, Traction Fonder AB uses SEB and Swedbank as depository. The department in SEB that is in charge of Fondbolaget's activities in this part, is called SEB Merchant Banking. The company's contact at SEB is named Albert Hammar and his telephone number is +46 (0)8-506 233 08. The part within Swedbank that is in charge of Fondbolaget's operations is Custody and contact is Staffan Adler, telephone +46 (0)8-585 932 09.

The parts that SEB and Swedbank as depositories are responsible for are as follows:

- Storage of property within the funds, meaning that the company holds management company depots in SEB and Swedbank, where all securities and cash for each fund are kept.
- Both these banks are believed to have a high competence in the area. No conflicts of interest have been identified.
- Ensure that the sale and redemption of fund shares is in accordance with the legal regulations for investment funds and fund rules. In this respect, SEB and Swedbank monitors and controls this operation, and ensures that the fund company follows the requirements imposed by applicable laws and in the fund's own rules, regarding buying and selling of shares in the funds. SEB and Swedbank will also once or twice per year perform a more thorough check of the company's procedures. Such verification from SEB and Swedbank constitutes a review of, among other things, the fund's assets and liabilities, valuation and accounting for the fund, the fund's derivatives trading and unlisted shares and risk management.
- Ensure a correct calculation of the fund shares value – SEB and Swedbank will in respect to this commitment ensure that the NAV quotation for the fund is calculated in accordance with LIF and the fund rules.
- Act custodial bank – the trading Fondbolaget will carry on for the funds' behalf, will be done partly by SEB and Swedbank, but also through other companies. SEB and Swedbank, however, will be responsible for all applicable settlement that concerns Fondbolaget's business.

Fondbolaget also conducts some of its securities trading through SEB and Swedbank. Further Fondbolaget uses SEB as commercial bank, and having a trust account and business account there, for paying bills via Internet, etc. Fondbolaget has also signed a Prime Brokerage Agreement with SEB, meaning, among other things, that SEB automatically if necessary affiliates VP loans on behalf of the funds, and also returns the repurchased short positions for the Yield fund. The contract can be terminated with three months' notice.

7.3 Back office – administrative processes

- a) Maintenance of shareholder registry, containing the name, personal number / organization number, address, tax residence, citizenship, telephone number and email address.
- b) Calculation of the "official" NAV quotation, which occurs monthly for funds with monthly NAV and daily for the funds with daily NAV. The NAV quotations are controlled and approved by Fondbolaget. Fondbolaget calculates the daily indicative NAV quotation for those funds that have monthly NAV. Fondbolaget, itself, carries out the daily risk control of all funds and immediately reports any deviations to the administrator, CEO and independent risk controller.
- c) Calculation of management results over different time periods, and the calculation and charging of management fee.
- d) Reporting monitoring data to the Tax Agency regarding Fondbolaget's customers.
- e) Treatment of dividends.
- f) Generation of reports, among other things reports that supports Fondbolaget's reporting to FI and the Federal Bank (Riksbanken).
- g) Reconciliation between the fund's assets at individual level and total level between back-office system and Fondbolaget's depots and accounts at SEB.
- h) Settlement process and control of dualities principle regarding securities trading.
- i) Producing and submitting reports to FI regarding the funds, particularly the quarterly holdings reports. Reporting of risk measures on a monthly basis to FI.

Wahlstedt Sageryd's business depends on the asset management system IVAR Asset Management System. The system, used by many of the finance businesses professionals, began to develop back in 1991. The flexible system has new features and applications, depending on customer requirements and Wahlstedt Sageryd has gone from being a mere supplier of the system to becoming a full-service company within the investment management area. Today, WS Backoffice Services, is a leading portion of Wahlstedt Sageryd's operations, allowing clients to outsource all or part of its back office, a service that thanks to its cost effectiveness and flexibility quickly become popular with clients. The company is market leading and has complete management system primarily for fund managers, discretionary managers and institutional investors.

The company's CEO has regular contact with the contractor. Through these contacts it is possible for the Company to evaluate how well the contractor performs its duties. The ultimate responsibility for monitoring the contractor's work, however, falls on the board. Fondbolaget

continuously evaluates that the contractor to make sure they satisfy their contractual obligations according to the agreement. The agreement runs with six months notice period.

7.4 IT Services

Takeo It, Warfvinges Väg 32, 112 51 Stockholm, telephone +46 (0)8-546 999 20, is contracted to be responsible for certain aspects relating to Fondbolaget's IT operations. Takeo It has a very high level of expertise in the area and no conflicts of interest have been identified. Below an overview for this mission:

- a) "Hosting" the server for the company's website and email accounts. Takeo It is responsible for these servers and also responsible for the operation, that is to make sure Fondbolaget's website is accessible at all times during the day and that Fondbolaget's employees have the ability to send and receive e-mail.
- b) File Server – doing backup and taking care of ongoing support for the so-called file server, that is, a computer located at the company's office where documents created by employees within Fondbolaget are stored.
- c) Workstations – preparation and ongoing operation of the workstations at Fondbolaget's office, including the installation of among other things the Office suite and antivirus software.
- d) Network – setting up an internal network at the company's office.

Takeo It is a small company, but Fondbolaget believes that the company has the skills required for this project. Takeo It is used to working with companies that are under FI's authority. The collaboration has so far worked very well and the services Takeo It has produced has had high quality. The contract can be terminated with immediate effect.

7.5 Compliance

Fondbolaget has outsourced the responsibility for the compliance function to Åsa Ramel at Kjellander & Ramel AB. Åsa Kjellander has extensive experience in compliance. Kjellander & Ramel has a very high level of expertise in this area and no conflicts of interest have been identified.

Fondbolaget has determined that the compliance function is a function that is essential to the operation and therefore applies the rules in Chapter 11. FFFS 2008:11. It is important to emphasize that Fondbolaget is responsible for the compliance, although this function is outsourced. The requirement of confidentiality is covered in the agreement between Fondbolaget and the contractor.

The commission agreement states that the contractor has a three months notice to create opportunities for Fondbolaget to find a new person to be in charge of regulatory compliance before the agreement terminates. This ensures the continuity of the compliance function.

The agreement also states that Fondbolaget has the right to terminate the agreement immediately in the event the contractor fails to fulfill its mission. This is important so that Fondbolaget can to enforce the shareholders interests, but also to ensure the quality of the outsourced service.

The company's CEO and other executives will have regular contact with the contractor. Through these contacts it is possible for the company to evaluate the contractor's availability and commitment to the company. The ultimate responsibility for monitoring the contractor's work, however, falls on the board. The Board will continuously evaluate that the contractor fulfills its contractual obligations. The Board will base their evaluation on the following criteria: the existence of check ups and written reports, the contractor's participation at board meetings, the contractor's information to the company concerning regulation changes and also any training and updates to the Board and its employees. Fondbolaget's internal audit will also check how well the contractor manages its mission.

At each board meeting compliance shall be treated as a separate item on the agenda. The board shall also one to four times per year receive a written report from the contractor.

7.6 Responsibility for independent risk control

The service has been procured by the company FICOPE Finanskonsult AB (Björn Andersson), org.nr 556707-8984, Hagalundsgatan 5,10tr, 169 65 Stockholm, telephone +46 (0)70-445 22 16, www.ficope.se. FICOPE has a high competence in this area and no conflicts of interest have been identified.

FICOPE Finanskonsult is the risk control manager in the company.

FICOPE Finanskonsult is an independent financial consultant who will report directly to the chairman of the board and the other members of the board. By engaging an external and independent consultant as a risk control manager in the company and who reports directly to the chairman of the board, duality and the demand for independence is exploited. The Board will continuously evaluate that FICOPE carries out his work according to the contract. The board will base their evaluation on the following criteria: the existence of checks and written reports and the contractor's participation at board meetings. Risk Control is done on a daily basis according to detailed instructions for risk control in the funds.

FICOPE Finanskonsult is mainly engaged in consultancy for financial information, performance calculations, statistics and analysis. Fondbolaget has therefore taken the decision to purchase services from FICOPE Finanskonsult, who has substantial experience and expertise in areas such as risk- and performance calculations.

The contract can be terminated with three months notice. The company also has the right to terminate the agreement immediately if that would be the best for the shareholders.

7.7 Responsible for Internal Auditor

Moneo AB, Agneta Bremander, has been appointed as internal auditor. Jakobsbergsgatan 8, 6tr, 111 44 Stockholm, telephone +46 (0)8-442 32 20, www.moneo.se.

Moneo has a high competence in this area and no conflicts of interest have been identified.

7.8 Some other commission

Traction Fonder AB has entered into distribution agreements with companies like Avanza Bank AB, Nordnet Bank AB, MFEX in order to facilitate the distribution of the company's fund products to the broad mass of fund investors. The agreements mean that the partners who the fund company uses, receive a sales commission in return for that they keep funds available for trading to their clients. Wallmänder & Co in Gothenburg is responsible for the fund company's webdesign and contents.

7.9 General for follow-up commission

The company will follow up and monitor outsourced activities in accordance with Chapter 11 of FFFS 2008:11.

The company shall among other things make the necessary arrangements to ensure that contractors perform the outsourced activities effectively and shall establish methods to evaluate how well the contractor performs its duties. As the company has ongoing contacts with contractors, the fund company can quickly determine whether the contractor can not deliver the outsourced services or if the services would begin to have a lower quality. It could then show that the missions would not be carried out effectively and Fondbolaget then has the possibility to act and request its correction. However, it is the board that has the ultimate responsibility for outsourced tasks. The board therefore evaluates the contractors, as explained above.

If no correction is made, the Company may terminate the agreements. If the services work according to the contracts, that means that the risk of the contractors carrying out their work in an inefficient manner is low and no special arrangements are then necessary.

The company controls that competence exists and that monitoring the outsourced activities take place. The contractors shall according to their contracts report their work to the CEO and cooperate with FI regarding their activities. The company, its auditors and FI has access to information of the outsourced activities and the contractor's premises so that FI can supervise. Contractors are working on a confidential basis in terms of confidential information relating to Fondbolaget's business and there is an emergency plan for the company to run the business under unforeseen circumstances. The company documents follow-ups of contractors through the checks that are done regularly.

It is the board that has the ultimate responsibility, while the CEO follow up on outsourced assignments and makes sure they are carried out satisfactorily. The controls vary depending on the type of outsourced tasks. When verifying for instance the compliance, the Board checks this against the commission agreement for regulatory compliance. If it doesn't comply with what's stated in the agreement, Fondbolaget will act and request its correction. If it's not immediately corrected, the company will terminate the contract and procure the service from another player on the market. The company has established contacts with several players who are providing services in audit, risk management, fund administration and compliance. These could immediately take over the outsourced tasks should this be necessary.

8 INFORMATION SYSTEMS AND SECURITY

8.1 Physical Security / Local

Traction Fonder rent a room at Hammarby Kaj 16. The room is located in premises of approx 350 square meters and located five floors up in the property.

The property's main entrance towards Hammarby Kaj is unlocked during business hours. Other entrances to the building are locked and can only be accessed by using the key or code card. Other hours, all the doors at the property are locked.

When you come to the second floor (either by elevator or stairs) a key code and code is required to enter through the first door that leads into the hall where Fondbolaget's office is located. The premises are protected against burglary with modern alarms and locks. Fondbolaget's office is located about 5 meter into the room and it has its own lockable door.

At the premises there are other tenants such as Ringa AB and Solid Music AB.

8.2 IT Security

a) E-mail and web server

A server for email and web site is located in a server room with 24 hour monitoring. The room is protected for burglary and is under video surveillance. The server is powered even if longer power outages occur, thanks to diesel generators. Daily backups are done on all data.

b) File Server

The file server is located in the office and can only be accessed from within the office network. Firewall on the server and a separate hardware firewall closes all file sharing ports to the outside world. Daily backups are made on all data that is stored on the server and the back ups are stored elsewhere, and they in their turn has a back up.

c) Workstations

The operating system that is used on the computers at Fondbolaget's workstations are Windows XP with service pack 2. Client computers are

protected with antivirus software that is automatically updated daily. The virus program scans everything downloaded to the computers, and periodically checks the entire hard disk and file server. The Office package with Word, Excel and Power Point are used. All client computers are equipped with a software firewall, and are constantly updated to ensure that no "security holes" are left open.

d) Network

The network is protected by a firewall that only can be administered from within the network itself. Since all web services operates from a remote location the firewall does not need to have these ports open, which further enhances safety. No external access is to the printer or to the servers.

9 THE BEST POSSIBLE RESULT

Fondbolaget is not a direct member of any regulated market or other marketplace and always performs transactions in financial instruments, through third parties (counterparties). The company has identified the counterparties with which orders are placed and uses only counterparties who are under supervision and has an obligation to comply with rules for best results.

Fondbolaget takes consideration to the size and nature of the transaction, price and expenses, speed, likelihood of execution and settlement, financial instrument, type of operation, access to analysis and other criteria that according to Fondbolaget's opinion is relevant to a particular transaction.

None of the funds may invest in OTC derivatives.

10 CONFLICTS OF INTEREST

10.1 Administration

Fondbolaget's management activities consist of managing their own funds, and no other management activities exist. The company does not manage financial instruments for others, and has not been authorized to do so either, therefore no conflicts of interest with the fund management is present. Finally, Fondbolaget manages the funds on their own and have not outsourced any part of the management on a third party or within the corporate group. Fondbolaget therefore believes that there are no conflicts of interest in this part of the business.

10.2 Trade and securities lending

Fondbolaget performs securities trading mainly through Nordnet, Remium, SEB, and Swedbank, OP and ABG but from time to time, another commissioner can be hired for securities trading. Fondbolaget will be mostly borrow securities through SEB and Swedbank. No such contacts or relationships exist between Fondbolaget and the banks that conflicts of interest may arise.

10.3 Issues, proprietary trading, etc.

Fondbolaget conducts investment activities that among other things consist of investments in listed and unlisted companies in order to meet the fund's investment goals. With respect to its investment activities, there is no proprietary trading. Furthermore, Fondbolaget will not purchase any investment from a related entity or affiliate, or any related entity or affiliate owned by an employee or shareholder of Fondbolaget. Fondbolaget will not invest with, purchase from or sell to ABS Investment Group or ABSIG LLC. In these disciplined respects, there are no potential conflicts of interest that exist for Fondbolaget.

Regarding potential conflicts of interest, Fondbolaget believes that the risk of transacting unfavorable business resulting from intercompany business, proprietary trading, or affiliated transactions, does not exist. As previously stated, Fondbolaget is not engaged in any so-called proprietary trading, and Fondbolaget's activities are also physically separated from any other groups' activities.

10.4 Double employments and other commitments

Fondbolaget does not believe that there is a conflict of interest between Ulf Deckmark's management role in the fund company and his involvement in general. Ulf Deckmark does not hold any other positions as members of the board or have other operational management positions than those of the fund company's behalf.

Carl-Magnus Kindal is Chairman of the board of Traction Fonder and is CEO of Thenberg & Kinde Fondkommission AB. The company estimates that there is no conflict of interest between Carl-Magnus' position as a chairman of Traction Fonder AB and the other assignments he holds. For other services see Carl-Magnus CV.

Fondbolaget does not believe that there is a conflict of interest between Ulf Deckmark's management role in the fund company and his involvement in general. Ulf Deckmark does not hold any other positions as member of the board or has other operational management positions than those of the fund company's behalf.

Carl-Magnus Kindal is Chairman of the board of Traction Fonder and is CEO of Thenberg & Kinde Fondkommission AB. The company estimates that there is no conflict of interest between Carl-Magnus' position as a chairman of Traction Fonder AB and the other assignments he holds, and furthermore, his background and assignments assist Fondbolaget in the pursuit of its core goals. For other services see Carl-Magnus CV.

Fondbolaget's director of the board, Mark Bishop, is Manager and President, respectively, of ABSIG LLC and ABS Investment Group. The company believes that there is no conflict of interest between Mr. Bishop's position as a board member of Traction Fonder AB and the other positions and mandates he holds, and furthermore, his background and assignments assist Fondbolaget in the pursuit of its core goals. Furthermore, Fondbolaget has written into its controls that no trades, purchase of any investment from a related entity or affiliate, or any related entity or affiliate owned by an employee or shareholder of Fondbolaget may occur. Fondbolaget will not invest with, purchase from or sell to ABS

Investment Group or ABSIG LLC.

10.5 Local

The company rents a room at Hammarby Kaj 16 in Stockholm, where also the following companies are located: Ringia AB, which sells telephone services, Voltia that manages electricity primarily toward businesses and Solid Music, which is a publishing company. Fondbolaget has not identified any conflicts of interest between the companies.

Fondbolaget will have a separate room with a lock and all documents will be stored in locked rooms. No one in the premises has access to the company's room or data files, either directly or indirectly, ie via the internet / network. The company will continue working with Takeo It AB, which acts as Fondbolaget's IT support and is also responsible for the company's high standards of security and back up.

11 INCENTIVES

A company that runs mutual funds can – in the management of an investment and, in performing the related administrative measures – only pay or receive a fee or commission, or give or receive a favor/gift, if:

1. it is paid or given to or by the fund or a person on behalf of the fund;
2. it is paid or given to or by a third party or any person acting on behalf of third party, if:
 - a) the shareholders have received complete, accurate and understandable information about the nature of fee's, commission's and the benefit's and the amount can not be ascertained, if the method of calculating that amount; and
 - b) payment of the fee or the commission or the providing of fringe-benefit is designed to improve the quality of the fund business and does not prevent the company from acting in the shareholders' interests; or
3. there are actual fees which enables or are necessary for providing fund operations, such as custody costs, settlement and trading fees, legal fees, and that they through nature are not inconsistent with its obligation to act honestly, fairly and professionally in accordance with the shareholders interest.

12 ADMINISTRATIVE PROCESSES

Below is a description of a variety of transactions that occur within Fondbolaget.

12.1 To become a client of Traction Fonder

Any person wishing to invest in any of Traction funds must before investment complete a written purchase agreement. The agreement – which comes in different versions depending on whether it's a one-time deposit or monthly savings – is available for printing from Fondbolaget's website, and will also be sent by mail to the customers on request.

The first step for an investment in the fund is thus that the customer fills in the customer agreement and sends it to the Fondbolaget. In the agreement, the customer should state his/her name, address, personal nr / org.nr, email address etc. and be able to submit a debit authorization.

Fondbolaget receives the completed agreement and checks that the client states all required data. The fund company then does a check of the customer's declared data against SPAR, National Personal Address list. The verification includes name, personal number and registered address. Where applicable, there is also a control of guardians. For legal entities, a corresponding control is made at the Registration Office (Bolagsverket) to make sure the client data match with the data registered with SPAR and Tax Agency. Further probability of money laundering is controlled and a risk classification of the customer is made.

- Low risk = very little likelihood of money laundering
- Normal risk = not much likelihood of money laundering
- High risk = high likelihood of money laundering

If the customer agreement is ok, it is sent to Wahlstedt & Sageryd for registration and handling.

Course attachment of funds with monthly trading is done on the last banking day of each month and is the basis for determining the sales and redemption rates for trade in shares in the fund. The indicative net asset value is calculated, however, every day, and published on the fund company's website www.trationfonder.se. The indicative price is also published in several newspapers and financial websites. For Yield applied daily trading and thus a daily valuation and NAV pricing.

12.2 How to invest it in Traction Funds

Investing in the fund is as follows (assuming the customer agreement is completed and approved): The customer deposits money in the fund's trust account in SEB or Swedbank and gives his account number as reference. Wahlstedt & Sageryd Financial Services monitors the account each day, and also receives information on deposits from SEB and Swedbank.

In order to participate in trading, money must be available on the fund's trust account the last business day of each month. Note therefore that the customer, after the written agreement process is completed, only needs to deposit money, at least 10,000 SEK, into the client's funds account to make an investment in the fund. For funds that apply daily trading, the funds shall be available on the client's funds account before 13.00 the same business day. For SmallCap the lowest limit for purchase is 10,000 SEK and the proceeds shall be paid to a designated account the last business day before the last day of every month, and for High Yield the smallest one-off deposit is 1,000 SEK.

Fondbolaget has signed an agreement with Bankgirocentralen on the use of direct debit service. In this manner, Fondbolaget makes it possible for their clients to start a monthly savings in the Yield fund where the minimum limit is 500 SEK per month and for High Yield, the minimum limit is 100 SEK per month. Monthly savings in the SmallCap fund is not possible. All data for monthly savings and time investment is stated on the customer

agreement.

The fund company makes a number of checks that are described under the manual "new customer".

12.3 How to sell clients shares and withdraw money

Customers who wish to redeem their shares must submit a written request to Fondbolaget. Such a request is made on a special application form found on Fondbolaget's website or can also be ordered by mail or e-mail. On the form, the customer can choose to redeem all shares, specify the number of shares to be redeemed or disclosing the amount of crowns he would like to have paid. Finally, the form shall also state the account number to which he wants the money paid.

Redemption of shares for all funds with monthly trading, takes place once a month and an order for redemption must reach the fund company no later than the 5th to be executed the following month.

For funds that apply daily trading, Yield and High Yield, the notice of redemption shall reach the fund company before 13.00 the same business day.

Fondbolaget receives the customer's redemption request and compares the signature on the form with the customer copied ID document and sends it on to Wahlstedt & Sageryd Financial Services. This is done in order to verify that the redemption is requested by an authorized person. The company also makes sure, by looking in the shareholder register, that the client has coverage for the redemption of the amount of shares he has requested.

Wahlstedt & Sageryd Financial Services compiles a daily data file with specification of the redemption requests from clients for the daily traded funds and monthly for the monthly traded funds. Redemption of shares and payment to the customer is executed by Wahlstedt & Sageryd Financial Services after being approved by the depositary and Fondbolaget.

12.4 To conduct fund company trading in securities

Traction Fonder has, as described above, so-called cash accounts with online brokers, and with "traditional" brokers.

The manager makes a deal through one of the brokers that Traction Fonder has agreements with for securities trading. The deal is done by telephone, or in any of the electronic trading systems provided by each commissioner. Before any of the trustees makes a purchase, underwriting (due-diligence) shall be done to make sure the investment is within the fund statutes and any internal investment rules. Thereafter, checking must be made to ensure that the investment is consistent with the investment policy and a note regarding this shall be made in an Excel file.

The manager registers each deal the same day or the day after to Wahlstedt & Sageryd Financial Services via their online system. Managers also register changes in each fund's Excel system controlling the risks and possible violations.

The broker sends, the day after completing a contract, a note to Traction Fonder and Wahlstedt & Sageryd Financial Services as a confirmation of completed assignments. Alternatively to sending the bill by mail, Traction Fonder or Wahlstedt Sageryd & Financial Services logs in to the broker's online services and prints the confirmation note themselves. Wahlstedt & Sageryd Financial Services settles deal with Traction Funds' custodian, SEB and Swedbank, and the transaction is registered on Fondbolaget's depot with SEB and Swedbank.

Wahlstedt & Sageryd Financial Services can in this manner, in accordance with the duality principle, check that the manager's business corresponds with the registered deals at custodian banks.

Wahlstedt & Sageryd Financial Services, checks Fondbolaget's depot at SEB and Swedbank via Internet, and also gets current information by mail / fax / email from SEB and Swedbank. Wahlstedt & Sageryd Financial Services can therefore coordinate all transactions conducted through sales notes, details of transactions made on the funds' depots with SEB and Swedbank and the deals that Fondbolaget registered in the back office system.

12.5 Back office and fund administration

Below is a description of the data Wahlstedt & Sageryd Financial Service AB is responsible for:

- a) Maintenance of shareholder registry, containing the name, persona nrl / org.nr, address, tax residence, citizenship, telephone number and email address.
- b) Calculation of the "official" NAV quotation, which occurs monthly for funds with monthly NAV and daily for the funds with daily NAV, NAV quotations are controlled and approved by Fondbolaget. Fondbolaget, itself, calculates the daily indicative NAV quotation of those funds that have monthly NAV.
- c) Calculation of management results in different time periods, and calculation and charging a management fee.
- d) Reporting of monitoring data relating to the Tax Agency regarding Fondbolaget's customers.
- e) Treatment of dividends.
- f) Generation of reports, among other things reports to support Fondbolaget reporting to the FI and the Riksbanken (the Federal Bank).
- g) Reconciliations between the fund's assets at individual level and total level between back-office system and Fondbolaget's depots and accounts

at SEB.

h) Settlement process and control according to the duality principle regarding securities trading.

i) Production and submitting reports to FI regarding the funds, particularly the quarterly holdings reports. Reporting of risk measures on a monthly basis to the FI.

13 COMPLIANCE

The company has signed contracts with Kjellander & Ramel AB for the compliance function. Åsa Kjellander shall visit the company several times a year to follow up on activities, educate / inform and to carry out controls. A visit could for example include verification that the reporting of employees' securities transactions are conducted in a lawful manner. Åsa Kjellander shall prepare a written report to the board for each control. In this report the board shall be informed of new rules, the possible need for overhaul of internal guidelines, any rule violations in the operation and also how the compliance function has worked since the last board meeting. Although nothing significant might have occurred since the last board meeting, a written statement shall always be submitted at the board meeting.

Compliance is a consistent item on the agenda at Fondbolaget's board meetings. The feature of compliance shall be informed ahead in time of major organizational decisions as well as supporting Fondbolaget's ongoing operations.

The mission is described in the Guidelines for Compliance that is attached to the business plan.

14 RISK MANAGEMENT

Business and risk management in the company

The Board of Directors and Chief Executive Officer has the ultimate responsibility for ensuring that operations established in the company's internal regulations are followed and that the risks involved in the activity are identified and managed appropriately.

For support in these matters there is Fondbolaget's board of directors, compliance officer, risk control manager and internal audit.

The Board shall regularly be informed by the CEO regarding the outcomes and the risk of the company's investment. The independent risk control, compliance officer and internal auditor are to report any breaches of limits or shortcomings regarding existing guidelines and instructions directly to the Board. The Board is also part of the function's annual review.

Fondbolaget's goal is to learn from any incidents that occur or risks that come to the management's knowledge and to create awareness in the organization about the risks involved. The company has adopted guidelines for business and risk management in which this issue is more detailed.

Risk management of fund holdings

Risk Management of the funds are made daily by the independent risk control (FICOPE). FICOPE uses the system where back-office records all holdings in the fund and thus can check that the investments are made according to the law, regulations and the fund rules. In violation FICOPE contacts the manager and the CEO of the company by e-mail and correction must be taken immediately. In the event that the manager does not remedy, the company's chairman shall be contacted via e-mail and ensure that correct action is taken immediately.

FICOPE monthly compiles results of the controls in a written report, to be sent by e-mail to the Board, CEO and Compliance. FICOPE shall immediately contact the Board, CEO and Compliance for more serious offenses in the funds.

Funds may not invest in OTC derivatives.

The company has adopted Instructions for risk control in the funds where this is described more detailed.

15 INTERNAL AUDIT

The Board of Traction Fonder AB has adopted instructions for internal audit and these guidelines are attached.

16 AUDITOR

Carl Lindgren, working at KPMG, has been elected as the external auditor of the company.

The audit will be performed in accordance with applicable auditing standards, with accounting and regulatory compliance are included. The company's preliminary plan for review input from the external auditor is fixed as follows:

Periodicity	Measure
Biannual	Review of the semi-annual review (although not required by law, review of external auditor determined on a case by case according to the verbatim report design)
Current	Planning and ongoing assessment
Yearly	Examination of annual year
Yearly	Final audit of annual accounts. Reporting.

17 SIGNIFICANT EVENTS

The Board of Traction Fonder AB has adopted guidelines for managing and reporting of significant events.

18 MANAGEMENT OF ETHICAL ISSUES

The Board of Traction Fonder AB has adopted guidelines on ethical issues.

19 COMPLAINTS

The Board of the Company has adopted guidelines for complaints handling to be managed.

20 OWN BUSINESS

The Board of Traction Fonder AB has adopted guidelines on personal account dealing.

21 ARRANGEMENTS AGAINST MONEY LAUNDERING AND FINANCING SERIOUS CRIMES

The Board of Fondbolaget has adopted instructions regarding arrangements against money laundering and terrorist financing.

22 CONFLICTS OF INTEREST

The Board of Fondbolaget has adopted guidelines for managing conflicts of interest.

23 UNINTERRUPTIBLE ACTIVITIES

The Board of Fondbolaget has adopted guidelines for business continuity.

24 INTERNAL RULES AND INSTRUCTIONS

24.1 General

The Board of Traction Fonder AB has the ultimate responsibility for making sure the operations are conducted. The Board has adopted a number of internal instructions to ensure that governance, internal control and risk management within the company always has high quality, is clearly organized and appropriate.

24.2 Details of the governance, internal information and risk control

In order to establish a good internal control, an efficient and transparent management of operations and a high quality of the internal issuing of information, Fondbolaget has established a number of internal procedures that applies to the activity and these guidelines and instructions must be fixed once a year. Among other things, the company has established the following internal procedures:

The Board's adoption of guidelines, instructions and policy

Certification Tutorial
Remuneration policy
Instruction on reporting to the FSA nstruction for internal
Instructions for selecting brokers
Instruction NAV setting
Instruction Risk Control in the funds
Instructional Routine accounting o valuation of portfolio
Internal placement instruction
Internal rules on how to use voting
Internal rules concerning ethics and conflicts of interest Internal regulations for handling and reporting of significant events
Internal regulations for business without interruption
Internal regulations for the investment strategy employed by Fund
Internal rules and procedures for handling complaints
Instruktion laundering o Financing of Terrorism
Complaints instruction
Reporting Instructions
Rules on personal account dealing
Guidelines best results
Guidelines for business and risk management
Guidelines for Compliance
Guidelines on the management of conflicts of interest
Guidelines for handling and reporting of significant events
Guidelines for the marketing of funds and advisory services Board Rules
Instructions to the President

Corporate Plan

THE CEO'S DEFINITION OF GUIDELINES AND INSTRUCTIONS

Guidelines for the handling of the closure and opening of the fund SmallCap

Model for the Managing a new customer

Training for staff and board

25 THE COMPANY AS IT RELATES TO THE ACQUISITION BY ABSIG LLC IN 2012

25.1 The purpose of the acquisition

The purpose of the acquisition is to maximize total return, consistent with preservation of capital and prudent investment management. The acquisition will help to infuse additional fund management and investment product knowledge into the existing and professionally managed Company, and generate revenue and profits for Traction and the shareholders, through proper management of the Company (target). It is anticipated that the disciplines utilized in operating small funds (heavy analytical due diligence, preservation of capital, cash-on-cash returns, appreciation, seeking above peer group returns, transparency, and adherence to the disciplines of the business plan) will protect and secure investor capital and provide for above market returns, allowing Traction to compete with larger Fund companies and Banks.

25.2 Changes to the business plan post acquisition

There are no planned changes to the business plan of the Company, post acquisition.

25.3 Planned integration of the Company with ABSIG LLC

There is no planned integration of the Company with ABSIG LLC. The two companies will remain “stand-alone”, with separate management, systems, operations, reporting, etc.

25.4 Value added of ABSIG LLC

ABSIG LLC manages the funds of specific limited partnerships located in the United States and Canada. ABSIG LLC has tremendous product knowledge in the asset backed securities and corporate bond markets, and is a heavy user of analytics and due diligence. ABSIG LLC’s “best in class” fund management philosophy can be infused into the due diligence process of the Company in order to provide better execution of the Company’s existing business plan. In addition, ABSIG LLC and its shareholder has capital reserves and excess cash flow that can be contributed to the Company in order to satisfy 1) any short term operational cash flow need, 2) any current or future capital regulatory requirement, or 3) any opportunistic capital event that meets the goals of the business plan or recommendations of the Board of Directors.

25.5 Changes to the governance of the Company post acquisition

Other than business and management philosophy that Mark Bishop will bring to the Company as a member of the Board of Directors, there will be no planned changes to the governance of the Company, as outlined in the business plan, with respect to the board of directors, operational structure, or outsourcing structure.

Från: Erik Andersson <erik.andersson@fi.se>
Till: Diariet-handling till befintligt ärende <diariet@fi.se>
Ärende: VB: [LINDAHL-LEGAL.FID1042375]
Datum: 2012-09-25 15:32:50

FI Dnr 12-8161

Från: Charlotta Olsson [mailto:Charlotta.Olsson@lindahl.se]
Skickat: den 20 september 2012 11:28
Till: Erik Andersson
Kopia: Erik Lind
Ämne: SV: [LINDAHL-LEGAL.FID1042375]

Hej Erik,

Enligt överenskommelse översändes bifogad information om bolagen ABS Investment Group LLC och ABSIG LLC.

Vi har fått information om att bolagen inte står under tillsyn av någon myndighet i USA.

Hör gärna av dig om du har ytterligare frågor.

Med vänliga hälsningar,

Charlotta

Från: Erik Andersson [mailto:erik.andersson@fi.se]
Skickat: den 13 september 2012 16:20
Till: Erik Lind
Kopia: Charlotta Olsson
Ämne: SV: [LINDAHL-LEGAL.FID1042375]

Hej Erik,

Nej tyvärr, jag gjorde själv lite slagningar tidigare i veckan och kom inte heller längre än så. Men man tycker att någon bör styra bolagen, och man kan ju gissa att det är Mark Bishop själv i egenskap av "member".

De financial statements som har getts in är ju f.ö inte reviderade enligt internationell redovisningsstandard men jag vet i dagsläget inte om tillsynsavdelningen hos oss som går igenom siffrorna har något att invända mot dessa. Jag misstänker att anledningen till att det inte är "vanliga" ÅR som getts in är att kraven för ÅR och dess fastställande ser annorlunda ut för ett LLC, då de verkar ha ett antal lättnader jämfört med aktiebolag och t ex inte behöver ha annual shareholders meetings etc.

Med vänlig hälsning

Erik

Erik Andersson
Jurist/ Legal Counsellor
Fonddrätt specialfonder/ Non-UCITS Law

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Skickat: den 13 september 2012 16:04
Till: Erik Andersson
Kopia: Charlotta Olsson
Ämne: [LINDAHL-LEGAL.FID1042375]

Hej Erik,

Återkommer till vårt samtal nyss. Jag hittade bifogat men det räcker väl inte som "registreringsbevis" eftersom det inte framgår något om directors etc.

MVH

Erik

Erik Lind

Partner

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STOCKHOLM GÖTEBORG MALMÖ UPPSALA ÖREBRO HELSINGBORG www.lindahl.se

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Our File No.

MEMORANDUM

TO: Charlotta Olsson
Erik Lind
LindahlAdvocatfirman KB
Via E-Mail: MBishop@absig.com

CC: Mark Bishop

FROM: Bob Lowell

RE: Legal Operating Structure of A.B.S.I.G., LLC, a California Limited Liability Company ("ABSIG") and ABS Investment Group, LLC, a California Limited Liability Company ("ABS")

DATE: September 17, 2012

You have requested from me a general description of the legal operating structure of ABSIG and ABS. You also would like from me a description of what aspects of a corporation are not generally applicable to a limited liability company such as ABSIG or ABS.

General. In California, a limited liability company files Articles of Organization with the California Secretary of State. That document is nothing more than a one page form (completed) signed by the Organizer and filed with the Secretary of State. At the moment it is filed, the entity is registered and subject in the State of California to legal process and payment of California state taxes.

What makes the entity a legally operating company is the Operating Agreement. Comparing it to a corporation, the Operating Agreement contains the equivalent of the bylaws plus the specific operating provisions (e.g., appointment of specific persons to certain roles and capacities) as follows: (i) one or more Managers (equivalent to officers of a corporation), (ii) Members (equivalent to shareholders in a corporation) and (iii) certain specific details as to how the entity will be actually managed.

To be more precise, the Operating Agreement is a more “hands on” document (similar in some respects to a Limited Partnership Agreement) than the bylaws of a corporation which are far more generic and less detailed or complete.

While a limited liability company could take on elements of a corporate structure, such is rarely done. Thus, there virtually are never a Board of Directors or officers of a limited liability company, and if such was intended, express written provisions providing for them would have to be incorporated into the Operating Agreement. There were no such provisions in the ABSIG Operating Agreement or the ABS Operating Agreement.

1. Applying the above principles to ABSIG and ABS, there are no Board of Directors’ or Officers of ABSIG.

2. ABSIG is managed by one Manager, namely, Mark Bishop. He is the equivalent of the corporate officers, and his specific duties are set forth in Article V of the Operating Agreement.

3. ABS is managed by one Manager, namely, Mark Bishop. He is the equivalent of the corporate officers, and his specific duties are set forth in Article V of the Operating Agreement.

4. The owner of the Company (equivalent to shareholders of a corporation) is referenced in Article VII, et sequence, of the Agreement.

5. In the United States, and in business, the executives are usually the top officers of a corporation, i.e., the chief executive officer (CEO) and president being the best-known type. In the US the term “chief” and “president” are titles used exclusively in corporate type entities. Typically, a CEO or president has several subordinate executives, each of whom has specific functional responsibilities. Other officers/employees include, but are not limited to, a managing director of a department or business such as chief of business development officer (CBDO), chief financial officer (CFO), chief operating officer (COO), chief marketing officer (CMO), chief investment officer (CIO), chief technology officer (CTO), or chief human resources officer (CHRO). Both ABSIG and ABS have no such positions legally designated. Additionally,

Memorandum to Charlotta Olsson and Erik Lind
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neither Operating Agreement refers to “principals” or “Managing Directors”. Those titles would relate to investment or marketing functions and would not have a legal structure in the Operating Agreement of either Company.

Please let me know if you need any further explanation.

Very truly yours,

A handwritten signature in cursive script that reads "Robert P. Lowell". The signature is written in black ink and is positioned to the right of the typed name.

Robert P. Lowell

**OPERATING AGREEMENT
OF
A.B.S.I.G. LLC**

This OPERATING AGREEMENT (“Agreement”) is made this 18th day of March, 2008, by ABS Investment Group, LLC, a California limited liability corporation, and Mark Bishop, an individual (each of whom is referred to individually as a “Member”; all of them are referred to collectively as “Members”) and is based on the following facts:

RECITALS

A. The Articles of Organization of A.B.S.I.G. LLC were filed in the Office of the Secretary of State of the State of California on March 13, 2008. A copy is attached hereto marked Exhibit “A” and by this reference made a part hereof.

B. By entering into the Operating Agreement, the Members intend to, and do, form a limited liability company pursuant to (and under) the Beverly-Killea Limited Liability Company Act.

C. Pursuant to Paragraph 11.11 of the Operating Agreement, it may be amended only by a writing signed by all of its Members unless the right to amend is otherwise expressly set forth in this Agreement.

D. The purpose of this Agreement is to provide for the governance of the Company and the conduct of its business and to set forth the relative rights and obligations of the Managers and the Members, all as hereinafter set forth.

NOW THEREFORE, the Members hereby agree as follows:

**ARTICLE I.
DEFINITIONS**

The following capitalized terms used in this Agreement have the meanings specified in this Article or elsewhere in this Agreement and when not so defined shall have the meanings set forth in *California Corporations Code ' 17001, et seq.*

1.1 “**Act**” means the Beverly-Killea Limited Liability Company Act (*California Corporations Code " 17000-17705*), including amendments from time to time.

1.2 “**Agreement**” means this Operating Agreement, as originally executed and as amended from time to time.

1.3 “**Articles of Organization**” is defined in *California Corporations Code ' 17001(b)*.

1.4 “**Assignee**” means a person who has acquired a Member’s Economic Interest

in the Company, by way of a Transfer in accordance with the terms of this Agreement, but who has not become a Member.

1.5 **“Assigning Member”** means a Member who by means of a Transfer has transferred an Economic Interest in the Company to an Assignee.

1.6 **“Capital Account”** means, as to any Member, a separate account maintained and adjusted in accordance with Article III, Section 3.5.

1.7 **“Capital Contribution”** means, with respect to any Member, the amount of the money and the Fair Market Value of any property (other than money) contributed to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take “subject to” under *IRC section 752*) in consideration of a Percentage Interest held by such Member. A Capital Contribution shall not be deemed a loan.

1.8 **“Capital Event”** means a sale or disposition of any of the Company’s capital assets, the receipt of insurance and other proceeds derived from the involuntary conversion of Company property, the receipt of proceeds from a refinancing of Company property, or a similar event with respect to Company property or assets.

1.9 **“Carrying Value”** means (a) With respect to a property contributed to the Company by a Member, the agreed value of such property reduced (but not below zero) by all depreciation, cost recovery and amortization deductions with respect to such property as taken into account in determining Profit or Loss, and (b) with respect to any other property, the adjusted basis of such property for federal income tax purposes as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with sections 4.2 and 4.3 and to reflect changes, additions or other adjustments to the Carrying Value for dispositions, acquisitions or improvements of Company properties, as deemed appropriate by the Co-Managers.

1.10 **“Cash Available for Distribution”** for any reporting period of the Company shall mean (a) the funds which the Company shall receive from operations and any other source (other than from borrowings, refinancing or equity contributions) for any such period in excess of (b) the total of all cash expenses, reserves and all amounts paid or accrued by or on behalf of the Company in such period on account of the amortization of any debts or liabilities of the Company.

1.11 **“Cash from Financing”** shall mean the proceeds of any loan made directly to the Company after the payment therefrom of all loan expenses and other debts of the Company (other than debts owing to the Co-Managers or Members) which are paid off in conjunction with obtaining such loan.

1.12 **“Code” or “IRC”** means the Internal Revenue Code of 1986, as amended, and any successor provision.

1.13 **“Company”** means the company named in Article II, Section 2.2.

1.14 **“Economic Interest”** means a Person’s right to share in the income, gains, losses, deductions, credit or similar items of, and to receive distributions from, the Company, but does not include any other rights of a Member, including the right to vote or to participate in management.

1.15 **“Encumber”** means the act of creating or purporting to create an Encumbrance, whether or not perfected under applicable law.

1.16 **“Encumbrance”** means, with respect to any Membership Interest, or any element thereof, a mortgage, pledge, security interest, lien, proxy coupled with an interest (other than as contemplated in this Agreement), option, or preferential right to purchase.

1.17 **“Gross Asset Value”** means, with respect to any item of property of the Company, the item’s adjusted basis for federal income tax purposes, except as follows:

(a) The Gross Asset Value of any item of property contributed by a Member to the Company shall be the fair market value of such property, as mutually agreed by the contributing Member and the Company; and

(b) The Gross Asset Value of any item of Company property distributed to any Member shall be the fair market value of such item of property on the date of distribution.

1.18 **“Initial Member”** or **“Initial Members”** means those Persons whose names are set forth in the first sentence of this Agreement. A reference to an “Initial Member” means any one of the Initial Members.

1.19 **“Involuntary Transfer”** means, with respect to any Membership Interest, or any element thereof, any Transfer or Encumbrance, whether by operation of law, pursuant to court order, foreclosure of a security interest, execution of a judgment or other legal process, or otherwise, including a purported transfer to or from a trustee in bankruptcy, receiver, or assignee for the benefit of creditors.

1.20 **“Losses.”** See **“Profits and Losses.”**

1.21 **“Majority of Members”** means a Member or Members whose Percentage Interests represent more than 50 percent of the Percentage Interests of all the Members.

1.22 **“Meeting”** is defined in Article V, Section 5.2.

1.23 **“Members”** means the Initial Members or Persons who otherwise acquire Membership Interests, as permitted under this Agreement, and who remain Members. “Member” shall mean anyone of them.

1.24 **“Notice”** means a written notice required or permitted under this Agreement. A notice shall be deemed given or sent when deposited, as certified mail or for overnight

delivery, postage and fees prepaid, in the United States mails; when delivered to Federal Express, Overnight Express, United Parcel Service, DHL WorldWide Express, or Airborne Express, for overnight delivery, charges prepaid or charged to the sender's account; when personally delivered to the recipient; when transmitted by electronic means, and such transmission is electronically confirmed as having been successfully transmitted; or when delivered to the home or office of a recipient in the care of a person whom the sender has reason to believe will promptly communicate the notice to the recipient.

1.25 **"Percentage Interest"** means the Percentage Interest assigned to the Members (individually or as a class) as more particularly set forth in Paragraph 3.1 below. The Percentage Interest defines each Member's rights and obligations in regard to Capital Contributions, Profits and Losses, cash distributions and voting rights.

1.26 **"Person"** means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company or other entity, whether domestic or foreign.

1.27 **"Profits and Losses"** means, for each fiscal year or other period specified in this Agreement, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with *IRC section 703(a)*.

1.28 **"Property"** means whatever right, if any, the Company has in (directly or indirectly) in asset-backed securities in which it may derive an interest by causing them to be purchased by other entities and ancillary rights associated therewith which are owned by the Company.

1.29 **"Proxy"** has the meaning set forth in the first paragraph of *California Corporations Code ' 17001(ai)*. A Proxy may not be transmitted orally.

1.30 **"Regulations" ("Reg")** means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Code, as such Regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.31 **"Substituted Member"** is defined in Article VIII, Section 8.8.

1.32 **"Successor in Interest"** means an Assignee, a successor of a Person by merger or otherwise by operation of law, or a transferee of all or substantially all of the business or assets of a Person.

1.33 **"Transfer"** means, with respect to a Membership Interest, or any element of a Membership Interest, any sale, assignment, gift, Involuntary Transfer, or other disposition of a Membership Interest or any element of such a Membership Interest, directly or indirectly, other than an Encumbrance that is expressly permitted under this Agreement.

1.34 **“Triggering Event”** is defined in Article VIII, Section 8.2.

1.35 **“Vote”** means a written consent or approval, a ballot cast at a Meeting, or a voice vote.

1.36 **“Voting Interest”** means, with respect to a Member, the right to Vote or participate in management and any right to information concerning the business and affairs of the Company provided under the Act, except as limited by the provisions of this Agreement. A Member’s Voting Interest shall be directly proportional to the Member’s Percentage Interest.

ARTICLE II.

ARTICLES OF ORGANIZATION; PURPOSE OF COMPANY

2.1 Prior to the execution of this Agreement, the Members have caused the Articles of Organization in the form attached to this Agreement as Exhibit “A” to be filed with the California Secretary of State.

2.2 The name of the Company is A.B.S.I.G. LLC.

2.3 The principal executive office of the Company shall be at 707 Broadway, 18th Floor, San Diego 92101, or such other place or places as may be determined by the Members from time to time.

2.4 The initial agent for service of process on the Company shall be J. Thomas Epperson. A Majority of Members may from time to time change the Company’s agent for service of process.

2.5 The sole purpose of the Company is to (i) investigate and identify asset-backed securities which are then issued and performing; (ii) negotiate for the purchase of such securities on behalf of each entity into which the securities are placed (by purchase); (iii) assist in managing such purchases; (iv) monitor the performance of such securities; (v) direct how the income from such securities will be distributed; and (vi) determine when (if at all) any of such securities should be sold. The Company also shall have such ancillary purposes as are necessary or helpful in performing the Company’s sole purpose identified above. The Company shall not engage in any other business without the amendment of this Paragraph 2.5 by the unanimous consent of the Members.

2.6 The term of existence of the Company commenced on the effective date of filing of Articles of Organization with the California Secretary of State, i.e., March 13, 2008, and has continued, and shall continue, until October 31, 2034, unless sooner terminated by the provisions of this Agreement or as provided by law.

2.7 ABS Investment Group, LLC, and Mark Bishop shall be the Co-Managers of

the Company.

ARTICLE III.
CAPITALIZATION

3.1 The authorized capital of the Company is Five Thousand Dollars (\$5,000.00). Upon the organization of the Company, the following cash contributions are to be made by the Members in exchange for their respective Percentage Interests:

<u>Member</u>	<u>Member's Percentage Interest</u>	<u>Cash Contribution</u>
ABS Investment Group, LLC	50%	\$500.00
Mark Bishop	50%	\$500.00

Total Contribution: \$1,000.00

3.2 New Equity. If at any time in the future the Company shall be in need of additional capital, the Company is authorized to seek and obtain the same. Such additional capital will be allocable either to the present Members (to the extent that each of them makes an additional contribution) and to other classes of Members, if any, with their rights defined and agreed upon as such cash is obtained. The decision to seek additional equity will require the approval of the Co-Managers owning more than fifty percent (50%) of the Class "A" Percentage Interests.

3.3 Capital Account. An individual Capital Account shall be maintained for each Member consisting of that Member's Capital Contribution, (1) increased by that Member's share of Profits, (2) decreased by that Member's share of Losses and Company expenses (to the extent not included in the calculation of Profits and Losses), and (3) adjusted as required in accordance with applicable provisions of the Code and Regulations.

3.4 A Member shall not be entitled to withdraw any part of the Member's Capital Contribution or to receive any distributions, whether of money or property, from the Company except as provided in this Agreement.

3.5 No interest shall be paid on funds or property contributed to the capital of the Company or on the balance of a Member's Capital Account.

3.6 A Member shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Company except as otherwise provided in the Act or in this Agreement.

3.7 No Member shall have priority over any other Member, with respect to the return of a Capital Contribution, or distributions or allocations of income, gain, losses,

deductions, credits, or items thereof.

ARTICLE IV. **ALLOCATIONS AND DISTRIBUTIONS**

4.1 The Profits and Losses of the Company and all items of Company income, gain, loss, deduction or credit shall be allocated, for Company book purposes and for tax purposes, to a Member in accordance with the Member's Percentage Interest.

4.2 If any Member unexpectedly receives any adjustment, allocation, or distribution described in Reg sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Company gross income and gain shall be specially allocated to that Member in an amount and manner sufficient to eliminate any deficit balance in the Member's Capital Account created by such adjustment, allocation, or distribution as quickly as possible. Any special allocation under this Section 4.2 shall be taken into account in computing subsequent allocations of Profits and Losses so that the net amount of allocations of income and loss and all other items shall, to the extent possible, be equal to the net amount that would have been allocated if the unexpected adjustment, allocation, or distribution had not occurred. The provisions of this Section 4.2 and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Reg sections 1.704-1(b) and 1.704-2 and shall be interpreted and applied in a manner consistent with such Regulations.

4.3 Any unrealized appreciation or unrealized depreciation in the values of Company property distributed in kind to all the Members shall be deemed to be Profits and Losses realized by the Company immediately prior to the distribution of the property, and such Profits or Losses shall be allocated to the Members' Capital Accounts in the same proportions as Profits are allocated under Section 4.1. Any property so distributed shall be treated as a distribution to the Members to the extent of the Fair Market Value of the property less the amount of any liability secured by and related to the property. Nothing contained in this Agreement is intended to treat or cause such distributions to be treated as sales for value. For the purposes of this Section 4.3, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the Fair Market Value of such property and the Company's basis for such property.

4.4 In the case of a Transfer of an Economic Interest during any fiscal year, the Assigning Member and Assignee each shall be allocated of Profits or Losses based on the number of days each held the Economic Interest during that fiscal year.

4.5 All cash resulting from the normal business operations of the Company and from a Capital Event shall be distributed among the Members in proportion to their Percentage Interests at such times as the Members may agree. Cash obtained from normal business operations of the Company which constitutes Cash Available for Distribution shall be distributed by the Company at such time as the Co-Managers determine that such Cash Available for Distribution is available. The Co-Managers will use their best efforts to

assure that there are distributions made during each calendar year of the Company's term of not less than forty percent (40%) of the Profits of the company for such year so that the Members will have cash distributed to them to pay income taxes on their respective shares of the Company's Profits for such year.

4.6 If the proceeds from a sale or other disposition of an item of Company consists of property other than cash, the value of such property shall be as determined by the Members. Such non-cash proceeds shall then be allocated among all the Members in proportion to their Percentage Interests. If such non-cash proceeds are subsequently reduced to cash, such cash shall be distributed to each Member in accordance with Section 4.5.

4.7 Notwithstanding any other provisions of this Agreement to the contrary, when there is a distribution in liquidation of the Company, or when any Member's interest is liquidated, all items of income and loss first shall be allocated to the Members' Capital Accounts under this Article IV, and other credits and deductions to the Members' Capital Accounts shall be made before the final distribution is made. The final distribution to the Members shall be made to the Members to the extent of and in proportion to their positive Capital Account balances.

ARTICLE V. MANAGEMENT

5.1 The business of the Company shall be managed by its two Co-Managers. Unless otherwise provided in this Agreement, all decisions concerning the management of the Company's business shall be made by the vote or written consent of all of the Co-Managers. The two Co-Managers are: ABS Investment Group, LLC, and Mark Bishop.

5.2 The Co-Managers are not required to hold meetings, and decisions may be reached through one or more informal consultations followed by agreement among the two Co-Managers, provided that all Co-Managers are consulted (although all Co-Managers need not be present during a particular consultation), or by a written consent signed by all two of them. In the event that Members wish to hold a formal meeting (a "Meeting") for any reason, the following procedures shall apply:

(1) If required, any one of the two Co-Managers, may call a meeting of Co-Managers by giving Notice of the time and place of the meeting at least 48 hours prior to the time of the holding of the meeting. The Notice need not specify the purpose of the Meeting or the location if the Meeting is to be held at the principal executive office of the Company or if it is held telephonically.

(2) Two of the Co-Managers shall constitute a quorum for the transaction of business at any Meeting of the Co-Managers; provided that they shall use their best efforts to bring the remaining Co-Manager to the meeting; including by telephone.

(3) The transactions of the Co-Managers at any meeting, however called or noticed, or wherever held, shall be as valid as though transacted at a Meeting duly held after call and notice if a quorum is present and if, either before or after the Meeting, each Co-Manager not present signs a written waiver of Notice, a consent to the holding of the Meeting, or an approval of the minutes of the Meeting.

(4) Any action required or permitted to be taken by the Co-Managers under this Agreement may be taken without a Meeting if all of the Co-Managers individually or collectively consent in writing to such action.

(5) Co-Managers may participate in the Meeting through the use of a conference telephone or similar communications equipment, provided that all Co-Managers participating in the Meeting can hear one another.

(6) All decisions made by the Co-Managers as hereinabove described shall be based on the following: The Co-Managers are allocated one vote, and decisions must be unanimous.

(7) The Co-Managers shall keep or cause to be kept with the books and records of the Company full and accurate minutes of all Meetings, Notices, and waivers of Notices of Meetings, and all written consents in lieu of Meetings.

5.3 Intentionally omitted.

5.4 Notwithstanding the other provisions of this Agreement, two of the Co-Managers must execute all documents on behalf of the Company provided that such documents conform to decisions approved by all of the Co-Managers. "Documents" shall include, but are not limited to, (i) all documents affecting title to personal property (including, without limitation, directions to escrow accounts, collection accounts and distribution accounts; (ii) directions to purchase and sell certain asset-backed securities; (iii) documents opening and maintaining bank accounts, (iv) endorsements of checks and withdrawal slips on such bank accounts, (v) contracts for the employment of persons for the Company; (v) leases of offices; and (vi) other documents reasonably required in the ordinary course of the Company's business.

5.5 All assets of the Company, whether real or personal, shall be held in the name of the Company.

5.6 All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company at such locations as shall be determined by all of the Co-Managers. Withdrawals from such accounts shall require the signature(s) of such person or persons as all of the Co-Managers may designate.

ARTICLE VI.

ACCOUNTS AND RECORDS

6.1 Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office and shall be open to inspection and copying by each Member or the Member's authorized representatives on reasonable Notice during normal business hours. The costs of such inspection and copying shall be borne by the Member.

6.2 Financial books and records of the Company shall be kept on the method of accounting followed by the Company for federal income tax purposes to the extent allowed by law. A balance sheet and income statement of the Company shall be prepared promptly following the close of each fiscal year in a manner appropriate to and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

6.3 At all times during the term of existence of the Company, and beyond that term if a Majority of the Members deem it necessary, the Members shall keep or cause to be kept the books of account referred to in Section 6.2 and the following:

- (a) A current list of the full name and last known business or residence address of each Member, together with the Capital Contribution and the share in Profits and Losses of each Member;
- (b) A copy of the Articles of Organization, as amended;
- (c) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;
- (d) Executed counterparts of this Agreement, as amended;
- (e) Any powers of attorney under which the Articles of Organization or any amendments thereto were executed;
- (f) Financial statements of the Company for the six most recent fiscal years; and
- (g) The Books and Records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years.

If a Majority of Members deem that any of the foregoing items shall be kept beyond the term of existence of the Company, the repository of said items shall be as designated by a Majority of Members.

6.4 Within 90 days after the end of each taxable year of the Company, the Company shall send to each of the Members all information necessary for the Members to

complete their federal and state income tax or information returns, and a copy of the Company's federal, state, and local income tax or information returns for such year.

ARTICLE VII. **MEMBERS AND VOTING**

7.1 Each Member shall Vote in proportion to the Member's Percentage Interest as of the governing record date, determined in accordance with Section 7.2. Any action that may or that must be taken by the Members shall be by unanimous vote.

7.2 The record date for determining the Members entitled to Notice of any Meeting and to (i) vote, (ii) receive any distribution or (iii) exercise any right in respect of any other lawful action, shall be the date set by a Majority of Members, provided that such record date shall not be more than 60, nor less than 10 days prior to the date of the Meeting, nor more than 60 days prior to any other action.

In the absence of any action setting a record date, the record date shall be determined in accordance with *California Corporations Code ' 17104(k)*.

7.3 At all Meetings of Members, a Member may Vote in person or by Proxy. Such proxy shall be filed by any Member before or at the time of the Meeting, and may be filed by facsimile transmission to a Co-Manager at the principal executive office of the Company or such other address as may be given by the Co-Managers to the Members for such purposes.

ARTICLE VIII. **TRANSFERS OF MEMBERSHIP INTERESTS**

8.1 Except as expressly provided in this Agreement, a Member shall not Transfer any part of the Member's Membership Interest in the Company, whether now owned or hereafter acquired, unless (1) the other Member(s) owning at last two-thirds of the Percentage Interests (excluding the Percentage Interest allocable to the withdrawing Members) approve the transferee's admission to the Company as a Member upon such Transfer and (2) the Membership Interest to be transferred, when added to the total of all other Membership Interests transferred in the preceding 12 months, will not cause the termination of the Company under the Code. No Member may Encumber or permit or suffer any Encumbrance of all or any part of the Member's Membership Interest in the Company unless such Encumbrance has been approved in writing by one hundred percent (100%) of the Co-Managers. Any Transfer or Encumbrance of a Membership Interest without such approval shall be void. Notwithstanding any other provision of this Agreement to the contrary, a Member who is a natural person may transfer all or any portion of his or her Membership Interest to any revocable trust created for the benefit of the Member, or any combination between or among the Member, the Member's spouse and the Member's issue; provided that the Member retains a beneficial interest in the trust and all of the Voting Interest included in such Membership Interest. A transfer of a Member's

entire beneficial interest in such trust or failure to retain such Voting Interest shall be deemed a Transfer of a Membership Interest.

8.2 On the happening of any of the following events (“Triggering Events”) with respect to a Member, the Company and the other Members, if any, shall have the option to purchase all or any portion of the Membership Interest in the Company of such Member (Selling Member) at the price and on the terms provided in Section 8.7 of this Agreement:

- (a) the death or incapacity of a Member;
- (b) the bankruptcy of a Member; or
- (c) except for the events stated in Section 8.3, the occurrence of any other event that is, or that would cause, a Transfer in contravention of this Agreement.

Each Member agrees to give prompt Notice of a Triggering Event to all other Members.

8.3 Notwithstanding any other provisions of this Agreement:

(a) If, in connection with the divorce or dissolution of the marriage of a Member, any court issues a decree or order that transfers, confirms or awards a Membership Interest, or any portion thereof, to that Member’s spouse (an Award), then, notwithstanding that such transfer would constitute an unpermitted Transfer under this Agreement, that Member shall have the right to purchase from his or her former spouse the Membership Interest, or portion thereof, that was so transferred, and such former spouse shall sell the Membership Interest or portion thereof to that Member at the price set forth in Section 8.7 of this Agreement. If the Member has failed to consummate the purchase within 90 days after the Award (the Expiration Date), the Company shall have the option to purchase from the former spouse the Membership Interest or portion thereof pursuant to Section 8.5 of this Agreement; provided that the option period shall commence on the later of (1) the day following the Expiration Date, or (2) the date of actual notice of the Award.

(b) If, by reason of the death of a spouse of a Member, any portion of a Membership Interest is transferred to a Transferee other than (1) that Member or (2) a trust created for the benefit of that Member (or for the benefit of that Member and any combination between or among the Member and the Member’s issue) in which the Member is the sole Trustee and the Member, as Trustee or individually, possesses all of the Voting Interest included in that Membership Interest, then the Member shall have the right to purchase the Membership Interest or portion thereof from the estate or other successor of his or her deceased spouse or Transferee of such deceased spouse, and the estate, successor, or Transferee shall sell the Membership Interest or portion thereof at the price set forth in Section 8.7 of this Agreement. If the Member has failed to consummate the purchase within 90 days

after the date of death (the Expiration Date), the Company shall have the option to purchase from the estate or other successor of the deceased spouse the Membership Interest or portion thereof pursuant to Section 8.5 of this Agreement; provided that the option period shall commence on the later of (1) the day following the Expiration Date, or (2) the date of actual notice of the death.

8.4 On the receipt of Notice by the other Members as contemplated by Section 8.1, and on receipt of actual notice of any Triggering Event (the date of such receipt is hereinafter referred to as the "Option Date"), the remaining Co-Managers shall promptly give notice of the occurrence of such a Triggering Event to each Co-Manager, and the Company shall have the option, for a period ending 30 calendar days following the determination of the purchase price as provided in Section 8.6, to purchase the Membership Interest in the Company to which the option relates, at the price and on the terms provided in Section 8.6. The transferee of the Membership Interest in the Company that is not purchased shall hold such Membership Interest in the Company subject to all of the provisions of this Agreement.

8.5 No Member shall participate in any Vote or decision in any matter pertaining to the disposition of that Member's Membership Interest in the Company under this Agreement.

8.6 The purchase price of the Membership Interest that is the subject of an option under this Agreement shall be the Fair Market Value of such Membership Interest as determined under this Section 8.6. Each of the selling and purchasing parties shall use his, her, or its best efforts to mutually agree on the Fair Market Value. If the parties are unable to so agree within 30 days of the date on which the option is first exercisable (the Option Date), the selling party shall appoint, within 40 days of the Option Date, one appraiser, and the purchasing party shall appoint within 40 days of the Option Date, one appraiser. The two appraisers shall within a period of five additional business days, agree on and appoint an additional appraiser. The three appraisers shall, within 60 days after the appointment of the third appraiser, determine the Fair Market Value of the Membership Interest in writing and submit their report to all the parties. The Fair Market Value shall be determined by disregarding the appraiser's valuation that diverges the greatest from each of the other two appraisers' valuations, and the arithmetic mean of the remaining two appraisers' valuations shall be the Fair Market Value. Each purchasing party shall pay for the services of the appraiser selected by it, plus one-half of the fee charged by the third appraiser. The option purchase price as so determined shall be payable in cash.

8.7 Except as expressly permitted under Section 8.1, a prospective transferee (other than an existing Member) of a Membership Interest may be admitted as a Member with respect to such Membership Interest (Substituted Member) only (1) on the unanimous Vote of the (remaining) Co-Managers in favor of the prospective transferee's admission as a Member, and (2) on such prospective transferee's executing a counterpart of this Agreement as a party hereto. Any prospective transferee of a Membership Interest shall be deemed an Assignee, and, therefore, the owner of only an Economic Interest until such

prospective transferee has been admitted as a Substituted Member.

8.8 Any person admitted to the Company as a Substituted Member shall be subject to all provisions of this Agreement.

8.9 The original issuance of Membership Interests in the Company to the original Members has not been qualified or registered under the Securities Act of 1933, as amended, in reliance upon exemptions from the registration provisions of those laws. No attempt has been made to qualify the offering and issuance of Membership Interests to Members under the *California Corporate Securities Law of 1968*, as amended, also in reliance upon an exemption from the requirement that a permit for issuance of securities be procured. Notwithstanding any other provision of this Agreement, Membership Interests may not be Transferred or Encumbered unless registered or qualified under applicable state and federal securities law or unless, in the opinion of legal counsel satisfactory to the Company, such qualification or registration is not required. The Member who desires to transfer a Membership Interest shall be responsible for all legal fees incurred in connection with said opinion.

ARTICLE IX. **DISSOLUTION AND WINDING UP**

9.1 The Company shall be dissolved only on the first to occur of the following events:

(a) The death, incapacity, or withdrawal of a Co-Manager; or the bankruptcy or dissolution of a Co-Manager; provided, however, that the remaining Co-Managers may, by their unanimous approval within 90 days after the happening of that event, elect to continue the Company, in which case the Company shall not be dissolved. If the remaining Co-Managers fail to so elect, the (remaining) Co-Managers shall dissolve and wind up the Company.

(b) The expiration of the term of existence of the Company.

(c) The written agreement of those Members owning more than fifty percent (50%) of the Percentage Interests to dissolve the Company.

(d) The sale or other disposition of substantially all of the Company assets. (The election to sell all or substantially all of the Property can be made only by the Co-Managers but also will require the vote or written consent of those Members owning more than fifty percent (50%) of the Percentage Interests in the partnership.)

(e) Entry of a decree of judicial dissolution pursuant to *California Corporations Code* ' 27351.

9.2 On the dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Co-Managers and Members who have not wrongfully dissolved the Company shall wind up the affairs of the Company. The Persons winding up the affairs of the Company shall give written Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to Members) the remaining assets of the Company shall be distributed or applied in the following order of priority:

- (a) To pay the expenses of liquidation.
- (b) To repay any loan theretofore made by a Co-Manager to the Company.
- (c) Among the Members in accordance with the provisions of Article IV, Section 4.7.

9.3 Each Member shall look solely to the assets of the Company for the return of the Member's investment, and if the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the investment of any Member, such Member shall have no recourse against any other Members for indemnification, contribution, or reimbursement.

ARTICLE X. **ARBITRATION**

Any action to enforce or interpret this Agreement or to resolve disputes between the Members or by or against any Member shall be settled by arbitration in accordance with the rules of the American Arbitration Association. Arbitration shall be the exclusive dispute resolution process in the State of California, but arbitration shall be a nonexclusive process elsewhere. Any party may commence arbitration by sending a written demand for arbitration to the other parties. Such demand shall set forth the nature of the matter to be resolved by arbitration. Arbitration shall be conducted at San Diego, California. The substantive law of the State of California shall be applied by the arbitrator to the resolution of the dispute. The parties shall share equally all initial costs of arbitration. The prevailing party shall be entitled to reimbursement of attorney fees, costs, and expenses incurred in connection with the arbitration. All decisions of the arbitrator shall be final, binding, and conclusive on all parties. Judgment may be entered upon any such decision in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE XI.

GENERAL PROVISIONS

11.1 This Agreement constitutes the whole and entire agreement of the parties with respect to the subject matter of this Agreement, and it shall not be modified or amended in any respect except by a written instrument executed by all the parties. This Agreement replaces and supersedes all prior written and oral agreements by and among the Members or any of them.

11.2 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each signed counterpart is effective when it is delivered to the principal office of the Company by (i) hand-delivery, (ii) facsimile or (iii) pdf.

11.3 This Agreement shall be construed and enforced in accordance with the internal laws of the State of California. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality, or unenforceability, or if that is not possible, such provision shall, to the extent of such invalidity, illegality or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

11.4 This Agreement shall be binding on and inure to the benefit of the parties and their heirs, personal representatives and permitted successors and assigns.

11.5 Whenever used in this Agreement, the singular shall include the plural, the plural shall include the singular, and the neuter gender shall include the male and female as well as a trust, firm, company, or corporation, all as the context and meaning of this Agreement may require.

11.6 The parties to this Agreement shall promptly execute and deliver any and all additional documents, instruments, notices and other assurances and shall do any and all other acts and things reasonably necessary in connection with the performance of their respective obligations under this Agreement and to carry out the intent of the parties.

11.7 Except as provided in this Agreement, no provision of this Agreement shall be construed to limit in any manner the Members in the carrying on of their own respective businesses or activities.

11.8 Except as provided in this Agreement, no provision of this Agreement shall be construed to constitute a Member, in the Member's capacity as such, the agent of any other Member.

11.9 Each Member represents and warrants to the other Members that the Member has the capacity and authority to enter into this Agreement.

11.10 The article, section and paragraph titles and headings contained in this Agreement are inserted as matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

11.11 This Agreement may be altered, amended or repealed only by a writing signed by all of the Members.

11.12 Time is of the essence of every provision of this Agreement that specifies a time for performance.

11.13 This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

11.14 The Members intend the Company to be a limited liability company under the Act. No member shall take any action inconsistent with the express intent of the parties to this agreement.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, each of the undersigned has executed or caused to be executed this Agreement on the day and year first above written.

ABS Investment Group, LLC

By: _____

Name: _____

Title: _____

Mark Bishop

By: _____

Name: _____

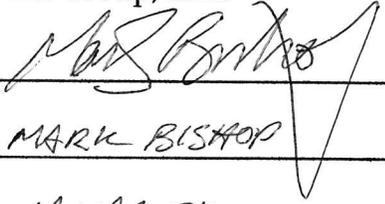
Title: _____

[Exhibit “A” to the Operating Agreement of A.B.S.I.G. LLC]

ARTICLES OF ORGANIZATION

IN WITNESS WHEREOF, each of the undersigned has executed or caused to be executed this Agreement on the day and year first above written.

ABS Investment Group, LLC

By: 

Name: MARK BISHOP

Title: MANAGER

Mark Bishop

By: 

Name: MARK BISHOP

Title: _____

**OPERATING AGREEMENT
OF ABS INVESTMENT GROUP, LLC**

This OPERATING AGREEMENT (“Agreement”) is made this 28th day of March, 2008, by Mark Bishop, an individual (referred to as a “Member”) and is based on the following facts:

RECITALS

A. The Articles of Organization of ABS INVESTMENT GROUP, LLC were filed in the Office of the Secretary of State of the State of California on February 13, 2008. A copy is attached hereto marked Exhibit “A” and by this reference made a part hereof.

B. By entering into the Operating Agreement, the Member(s) intend to, and do, form a limited liability company pursuant to (and under) the Beverly-Killea Limited Liability Company Act.

C. Pursuant to Paragraph 11.11 of the Operating Agreement, it may be amended only by a writing signed by all of its Member(s) unless the right to amend is otherwise expressly set forth in this Agreement.

D. The purpose of this Agreement is to provide for the governance of the Company and the conduct of its business and to set forth the relative rights and obligations of the Managers and the Member(s), all as hereinafter set forth.

NOW THEREFORE, the Member(s) hereby agree as follows:

**ARTICLE I.
DEFINITIONS**

The following capitalized terms used in this Agreement have the meanings specified in this Article or elsewhere in this Agreement and when not so defined shall have the meanings set forth in *California Corporations Code ' 17001, et seq.*

1.1 “**Act**” means the Beverly-Killea Limited Liability Company Act (*California Corporations Code " 17000-17705*), including amendments from time to time.

1.2 “**Agreement**” means this Operating Agreement, as originally executed and as amended from time to time.

1.3 “**Articles of Organization**” is defined in *California Corporations Code ' 17001(b)*.

1.4 “**Assignee**” means a person who has acquired a Member’s Economic Interest in the Company, by way of a Transfer in accordance with the terms of this Agreement, but who has not become a Member.

1.5 **“Assigning Member”** means a Member who by means of a Transfer has transferred an Economic Interest in the Company to an Assignee.

1.6 **“Capital Account”** means, as to any Member, a separate account maintained and adjusted in accordance with Article III, Section 3.5.

1.7 **“Capital Contribution”** means, with respect to any Member, the amount of the money and the Fair Market Value of any property (other than money) contributed to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take “subject to” under *IRC section 752*) in consideration of a Percentage Interest held by such Member. A Capital Contribution shall not be deemed a loan.

1.8 **“Capital Event”** means a sale or disposition of any of the Company’s capital assets, the receipt of insurance and other proceeds derived from the involuntary conversion of Company property, the receipt of proceeds from a refinancing of Company property, or a similar event with respect to Company property or assets.

1.9 **“Carrying Value”** means (a) With respect to a property contributed to the Company by a Member, the agreed value of such property reduced (but not below zero) by all depreciation, cost recovery and amortization deductions with respect to such property as taken into account in determining Profit or Loss, and (b) with respect to any other property, the adjusted basis of such property for federal income tax purposes as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with sections 4.2 and 4.3 and to reflect changes, additions or other adjustments to the Carrying Value for dispositions, acquisitions or improvements of Company properties, as deemed appropriate by the Manager.

1.10 **“Cash Available for Distribution”** for any reporting period of the Company shall mean (a) the funds which the Company shall receive from operations and any other source (other than from borrowings, refinancing or equity contributions) for any such period in excess of (b) the total of all cash expenses, reserves and all amounts paid or accrued by or on behalf of the Company in such period on account of the amortization of any debts or liabilities of the Company.

1.11 **“Cash from Financing”** shall mean the proceeds of any loan made directly to the Company after the payment therefrom of all loan expenses and other debts of the Company (other than debts owing to the Manager or Member(s)) which are paid off in conjunction with obtaining such loan.

1.12 **“Code” or “IRC”** means the Internal Revenue Code of 1986, as amended, and any successor provision.

1.13 **“Company”** means the company named in Article II, Section 2.2.

1.14 **“Economic Interest”** means a Person’s right to share in the income, gains, losses, deductions, credit or similar items of, and to receive distributions from, the

Company, but does not include any other rights of a Member, including the right to vote or to participate in management.

1.15 **“Encumber”** means the act of creating or purporting to create an Encumbrance, whether or not perfected under applicable law.

1.16 **“Encumbrance”** means, with respect to any Membership Interest, or any element thereof, a mortgage, pledge, security interest, lien, proxy coupled with an interest (other than as contemplated in this Agreement), option, or preferential right to purchase.

1.17 **“Gross Asset Value”** means, with respect to any item of property of the Company, the item’s adjusted basis for federal income tax purposes, except as follows:

(a) The Gross Asset Value of any item of property contributed by a Member to the Company shall be the fair market value of such property, as mutually agreed by the contributing Member and the Company; and

(b) The Gross Asset Value of any item of Company property distributed to any Member shall be the fair market value of such item of property on the date of distribution.

1.18 **“Initial Member”** or **“Initial Member(s)”** means those Person(s) whose names are set forth in the first sentence of this Agreement. A reference to an “Initial Member” means any one of the Initial Member(s).

1.19 **“Involuntary Transfer”** means, with respect to any Membership Interest, or any element thereof, any Transfer or Encumbrance, whether by operation of law, pursuant to court order, foreclosure of a security interest, execution of a judgment or other legal process, or otherwise, including a purported transfer to or from a trustee in bankruptcy, receiver, or assignee for the benefit of creditors.

1.20 **“Losses.”** See **“Profits and Losses.”**

1.21 **“Majority of Member(s)”** means a Member or Member(s) whose Percentage Interests represent more than 50 percent of the Percentage Interests of all the Member(s).

1.22 **“Meeting”** is defined in Article V, Section 5.2.

1.23 **“Member(s)”** means the Initial Member(s) or Persons who otherwise acquire Membership Interests, as permitted under this Agreement, and who remain Member(s). “Member” shall mean anyone of them.

1.24 **“Notice”** means a written notice required or permitted under this Agreement. A notice shall be deemed given or sent when deposited, as certified mail or for overnight delivery, postage and fees prepaid, in the United States mails; when delivered to Federal

Express, Overnight Express, United Parcel Service, DHL WorldWide Express, or Airborne Express, for overnight delivery, charges prepaid or charged to the sender's account; when personally delivered to the recipient; when transmitted by electronic means, and such transmission is electronically confirmed as having been successfully transmitted; or when delivered to the home or office of a recipient in the care of a person whom the sender has reason to believe will promptly communicate the notice to the recipient.

1.25 **"Percentage Interest"** means the Percentage Interest assigned to the Member(s) (individually or as a class) as more particularly set forth in Paragraph 3.1 below. The Percentage Interest defines each Member's rights and obligations in regard to Capital Contributions, Profits and Losses, cash distributions and voting rights.

1.26 **"Person"** means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

1.27 **"Profits and Losses"** means, for each fiscal year or other period specified in this Agreement, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with *IRC section 703(a)*.

1.28 **"Property"** means whatever right, if any, the Company has in (directly or indirectly) in asset-backed securities in which it may derive an interest by causing them to be purchased by other entities and ancillary rights associated therewith which are owned by the Company.

1.29 **"Proxy"** has the meaning set forth in the first paragraph of *California Corporations Code ' 17001(ai)*. A Proxy may not be transmitted orally.

1.30 **"Regulations" ("Reg")** means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Code, as such Regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.31 **"Substituted Member"** is defined in Article VIII, Section 8.8.

1.32 **"Successor in Interest"** means an Assignee, a successor of a Person by merger or otherwise by operation of law, or a transferee of all or substantially all of the business or assets of a Person.

1.33 **"Transfer"** means, with respect to a Membership Interest, or any element of a Membership Interest, any sale, assignment, gift, Involuntary Transfer, or other disposition of a Membership Interest or any element of such a Membership Interest, directly or indirectly, other than an Encumbrance that is expressly permitted under this Agreement.

1.34 **“Triggering Event”** is defined in Article VIII, Section 8.2.

1.35 **“Vote”** means a written consent or approval, a ballot cast at a Meeting, or a voice vote.

1.36 **“Voting Interest”** means, with respect to a Member, the right to Vote or participate in management and any right to information concerning the business and affairs of the Company provided under the Act, except as limited by the provisions of this Agreement. A Member’s Voting Interest shall be directly proportional to the Member’s Percentage Interest.

ARTICLE II.

ARTICLES OF ORGANIZATION; PURPOSE OF COMPANY

2.1 Prior to the execution of this Agreement, the Member(s) have caused the Articles of Organization in the form attached to this Agreement as Exhibit “A” to be filed with the California Secretary of State.

2.2 The name of the Company is **ABS INVESTMENT GROUP, LLC**.

2.3 The principal executive office of the Company shall be at 707 Broadway, 18th Floor, San Diego 92101, or such other place or places as may be determined by the Member(s) from time to time.

2.4 The initial agent for service of process on the Company shall be Robert Lowell, attorney-at-law (707 Broadway, 18th Floor, SD, CA 92101). A Majority of Member(s) may from time to time change the Company’s agent for service of process.

2.5 The sole purpose of the Company is to (i) investigate and identify asset-backed securities which are then issued and performing; (ii) negotiate for the purchase of such securities on behalf of each entity into which the securities are placed (by purchase); (iii) assist in managing such purchases; (iv) monitor the performance of such securities; (v) direct how the income from such securities will be distributed; and (vi) determine when (if at all) any of such securities should be sold. The Company also shall have such ancillary purposes as are necessary or helpful in performing the Company’s sole purpose identified above. The Company shall not engage in any other business without the amendment of this Paragraph 2.5 by the unanimous consent of the Member(s).

2.6 The term of existence of the Company commenced on the effective date of filing of Articles of Organization with the California Secretary of State, i.e., February 13, 2008, and has continued, and shall continue, until October 31, 2034, unless sooner terminated by the provisions of this Agreement or as provided by law.

2.7 Mark Bishop shall be the sole Manager of the Company.

ARTICLE III.
CAPITALIZATION

3.1 The authorized capital of the Company is Five Thousand Dollars (\$5,000.00). Upon the organization of the Company, the following cash contributions are to be made by the Member(s) in exchange for their respective Percentage Interests:

<u>Member</u>	<u>Member's Percentage Interest</u>	<u>Cash Contribution</u>
Mark Bishop	100%	\$5,000.00

Total Contribution: \$5,000.00

3.2 New Equity. If at any time in the future the Company shall be in need of additional capital, the Company is authorized to seek and obtain the same. Such additional capital will be allocable either to the present Member(s) (to the extent that such Member(s) makes an additional contribution) and to other classes of Member(s), if any, with their rights defined and agreed upon as such cash is obtained. The decision to seek additional equity will require the approval of the Manager owning more than fifty percent (50%) of the Class "A" Percentage Interests.

3.3 Capital Account. An individual Capital Account shall be maintained for each Member consisting of that Member's Capital Contribution, (1) increased by that Member's share of Profits, (2) decreased by that Member's share of Losses and Company expenses (to the extent not included in the calculation of Profits and Losses), and (3) adjusted as required in accordance with applicable provisions of the Code and Regulations.

3.4 A Member shall not be entitled to withdraw any part of the Member's Capital Contribution or to receive any distributions, whether of money or property, from the Company except as provided in this Agreement.

3.5 No interest shall be paid on funds or property contributed to the capital of the Company or on the balance of a Member's Capital Account.

3.6 A Member shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Company except as otherwise provided in the Act or in this Agreement.

3.7 No Member shall have priority over any other Member, with respect to the return of a Capital Contribution, or distributions or allocations of income, gain, losses, deductions, credits, or items thereof.

ARTICLE IV.
ALLOCATIONS AND DISTRIBUTIONS

4.1 The Profits and Losses of the Company and all items of Company income, gain, loss, deduction or credit shall be allocated, for Company book purposes and for tax purposes, to a Member in accordance with the Member's Percentage Interest.

4.2 If any Member unexpectedly receives any adjustment, allocation, or distribution described in Reg sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Company gross income and gain shall be specially allocated to that Member in an amount and manner sufficient to eliminate any deficit balance in the Member's Capital Account created by such adjustment, allocation, or distribution as quickly as possible. Any special allocation under this Section 4.2 shall be taken into account in computing subsequent allocations of Profits and Losses so that the net amount of allocations of income and loss and all other items shall, to the extent possible, be equal to the net amount that would have been allocated if the unexpected adjustment, allocation, or distribution had not occurred. The provisions of this Section 4.2 and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Reg sections 1.704-1(b) and 1.704-2 and shall be interpreted and applied in a manner consistent with such Regulations.

4.3 Any unrealized appreciation or unrealized depreciation in the values of Company property distributed in kind to all the Member(s) shall be deemed to be Profits and Losses realized by the Company immediately prior to the distribution of the property, and such Profits or Losses shall be allocated to the Member(s)' Capital Accounts in the same proportions as Profits are allocated under Section 4.1. Any property so distributed shall be treated as a distribution to the Member(s) to the extent of the Fair Market Value of the property less the amount of any liability secured by and related to the property. Nothing contained in this Agreement is intended to treat or cause such distributions to be treated as sales for value. For the purposes of this Section 4.3, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the Fair Market Value of such property and the Company's basis for such property.

4.4 In the case of a Transfer of an Economic Interest during any fiscal year, the Assigning Member and Assignee each shall be allocated of Profits or Losses based on the number of days each held the Economic Interest during that fiscal year.

4.5 All cash resulting from the normal business operations of the Company and from a Capital Event shall be distributed among the Member(s) in proportion to their Percentage Interests at such times as the Member(s) may agree. Cash obtained from normal business operations of the Company which constitutes Cash Available for Distribution shall be distributed by the Company at such time as the Manager determines that such Cash Available for Distribution is available. The Manager will use its best efforts to assure that there are distributions made during each calendar year of the Company's

term of not less than forty percent (40%) of the Profits of the company for such year so that the Member(s) will have cash distributed to them to pay income taxes on their respective shares of the Company's Profits for such year.

4.6 If the proceeds from a sale or other disposition of an item of Company consists of property other than cash, the value of such property shall be as determined by the Member(s). Such non-cash proceeds shall then be allocated among to the Member(s) in proportion to their Percentage Interests. If such non-cash proceeds are subsequently reduced to cash, such cash shall be distributed to each Member in accordance with Section 4.5.

4.7 Notwithstanding any other provisions of this Agreement to the contrary, when there is a distribution in liquidation of the Company, or when any Member's interest is liquidated, all items of income and loss first shall be allocated to the Member(s)' Capital Accounts under this Article IV, and other credits and deductions to the Member(s)' Capital Accounts shall be made before the final distribution is made. The final distribution to the Member(s) shall be made to the Member(s) to the extent of and in proportion to their positive Capital Account balances.

ARTICLE V. MANAGEMENT

5.1 The business of the Company shall be managed by its Manager. Unless otherwise provided in this Agreement, all decisions concerning the management of the Company's business shall be made by the vote or written consent of the Manager. The Manager is: Mark Bishop.

5.2 The Manager is not required to hold meetings. To the extent that the Company shall have Co-Managers, then this Section 5.2 shall apply, and decisions may be reached through one or more informal consultations followed by agreement among the Managers, provided that all Managers are consulted (although all Managers need not be present during a particular consultation), or by a written consent signed by all of them. In the event that Member(s) wish to hold a formal meeting (a "Meeting") for any reason, the following procedures shall apply:

(1) Any one of the Managers may call a meeting of Managers by giving Notice of the time and place of the meeting at least 48 hours prior to the time of the holding of the meeting. The Notice need not specify the purpose of the Meeting or the location if the Meeting is to be held at the principal executive office of the Company or if it is held telephonically.

(2) Two of the Managers shall constitute a quorum for the transaction of business at any Meeting of the Managers.

(3) The transactions of the Managers at any meeting, however called or

noticed, or wherever held, shall be as valid as though transacted at a Meeting duly held after call and notice if a quorum is present and if, either before or after the Meeting, each Manager not present signs a written waiver of Notice, a consent to the holding of the Meeting, or an approval of the minutes of the Meeting.

(4) Any action required or permitted to be taken by the Managers under this Agreement may be taken without a Meeting if all of the Managers individually or collectively consent in writing to such action.

(5) Managers may participate in the Meeting through the use of a conference telephone or similar communications equipment, provided that all Managers participating in the Meeting can hear one another.

(6) All decisions made by the Managers as hereinabove described shall be based on the following: Mark Bishop is hereby allocated the sole vote, until such time as it may amend such decision per Section 5.2(7).

(7) The Managers shall keep or cause to be kept with the books and records of the Company full and accurate minutes of all Meetings, Notices, and waivers of Notices of Meetings, and all written consents in lieu of Meetings.

5.3 Intentionally omitted.

5.4 Notwithstanding the other provisions of this Agreement, the Manager, acting alone, may execute all documents on behalf of the Company. "Documents" shall include, but are not limited to, (i) all documents affecting title to personal property (including, without limitation, directions to escrow accounts, collection accounts and distribution accounts; (ii) directions to purchase and sell certain asset-backed securities; (iii) documents opening and maintaining bank accounts, (iv) endorsements of checks and withdrawal slips on such bank accounts, (v) contracts for the employment of persons for the Company; (v) leases of offices; and (vi) other documents reasonably required in the ordinary course of the Company's business.

5.5 All assets of the Company, whether real or personal, shall be held in the name of the Company.

5.6 All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company at such locations as shall be determined by all of the Manager. Withdrawals from such accounts shall require the signature(s) of such person or persons as the Manger may designate.

ARTICLE VI.
ACCOUNTS AND RECORDS

6.1 Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office and shall be open to inspection and copying by the Member or the Member's authorized representatives on reasonable Notice during normal business hours. The costs of such inspection and copying shall be borne by the Member.

6.2 Financial books and records of the Company shall be kept on the method of accounting followed by the Company for federal income tax purposes to the extent allowed by law. A balance sheet and income statement of the Company shall be prepared promptly following the close of each fiscal year in a manner appropriate to and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

6.3 At all times during the term of existence of the Company, and beyond that term if a Majority of the Member(s) deem it necessary, the Member(s) shall keep or cause to be kept the books of account referred to in Section 6.2 and the following:

- (a) A current list of the full name and last known business or residence address of each Member, together with the Capital Contribution and the share in Profits and Losses of each Member;
- (b) A copy of the Articles of Organization, as amended;
- (c) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;
- (d) Executed counterparts of this Agreement, as amended;
- (e) Any powers of attorney under which the Articles of Organization or any amendments thereto were executed;
- (f) Financial statements of the Company for the six most recent fiscal years; and
- (g) The Books and Records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years.

If the Member(s) deem that any of the foregoing items shall be kept beyond the term of existence of the Company, the repository of said items shall be as designated by the Member(s).

6.4 Within 90 days after the end of each taxable year of the Company, the Company shall send to each of the Member(s) all information necessary for the Member(s) to complete their federal and state income tax or information returns, and a copy of the Company's federal, state, and local income tax or information returns for such year.

ARTICLE VII. **MEMBER(S) AND VOTING**

7.1 The Member(s) shall Vote in proportion to the Member's Percentage Interest as of the governing record date, determined in accordance with Section 7.2. Any action that may or that must be taken by the Member(s) shall be by those Member(s) owning more than fifty percent (50%) of the Percentage Interests, except that the following actions shall all require the Vote of the Member(s) owning more than two thirds of the Percentage of Interests:

(a) the transfer of a Membership Interest and the admission of the Assignee as a Member of the Company (except where express authority is otherwise given in this Agreement);

(b) any amendment of the Articles of Organization or this Agreement; or

(c) any compromise of the obligation of a Member to make a Capital Contribution.

7.2 The record date for determining the Member(s) entitled to Notice of any Meeting and to (i) vote, (ii) receive any distribution or (iii) exercise any right in respect of any other lawful action, shall be the date set by a Majority of Member(s), provided that such record date shall not be more than 60, nor less than 10 days prior to the date of the Meeting, nor more than 60 days prior to any other action.

In the absence of any action setting a record date, the record date shall be determined in accordance with *California Corporations Code ' 17104(k)*.

7.3 At all Meetings of Member(s), a Member may Vote in person or by Proxy. Such proxy shall be filed by any Member before or at the time of the Meeting, and may be filed by facsimile transmission to a Manager at the principal executive office of the Company or such other address as may be given by the Manager to the Member(s) for such purposes.

ARTICLE VIII. **TRANSFERS OF MEMBERSHIP INTERESTS**

8.1 Except as expressly provided in this Agreement, a Member shall not Transfer any part of the Member's Membership Interest in the Company, whether now owned or hereafter acquired, unless (1) the other Member(s) owning at last two-thirds of the Percentage Interests (excluding the Percentage Interest allocable to the withdrawing

Member(s)) approve the transferee's admission to the Company as a Member upon such Transfer and (2) the Membership Interest to be transferred, when added to the total of all other Membership Interests transferred in the preceding 12 months, will not cause the termination of the Company under the Code. No Member may Encumber or permit or suffer any Encumbrance of all or any part of the Member's Membership Interest in the Company unless such Encumbrance has been approved in writing by one hundred percent (100%) of the Manager. Any Transfer or Encumbrance of a Membership Interest without such approval shall be void. Notwithstanding any other provision of this Agreement to the contrary, a Member who is a natural person may transfer all or any portion of his or her Membership Interest to any revocable trust created for the benefit of the Member, or any combination between or among the Member, the Member's spouse and the Member's issue; provided that the Member retains a beneficial interest in the trust and all of the Voting Interest included in such Membership Interest. A transfer of a Member's entire beneficial interest in such trust or failure to retain such Voting Interest shall be deemed a Transfer of a Membership Interest.

8.2 On the happening of any of the following events ("Triggering Events") with respect to a Member, the Company and the other Member(s), if any, shall have the option to purchase all or any portion of the Membership Interest in the Company of such Member (Selling Member) at the price and on the terms provided in Section 8.7 of this Agreement:

- (a) the death or incapacity of a Member;
- (b) the bankruptcy of a Member; or
- (c) except for the events stated in Section 8.3, the occurrence of any other event that is, or that would cause, a Transfer in contravention of this Agreement.

Each Member agrees to give prompt Notice of a Triggering Event to all other Member(s).

8.3 Notwithstanding any other provisions of this Agreement:

- (a) If, in connection with the divorce or dissolution of the marriage of a Member, any court issues a decree or order that transfers, confirms or awards a Membership Interest, or any portion thereof, to that Member's spouse (an Award), then, notwithstanding that such transfer would constitute an unpermitted Transfer under this Agreement, that Member shall have the right to purchase from his or her former spouse the Membership Interest, or portion thereof, that was so transferred, and such former spouse shall sell the Membership Interest or portion thereof to that Member at the price set forth in Section 8.7 of this Agreement. If the Member has failed to consummate the purchase within 90 days after the Award (the Expiration Date), the Company shall have the option to purchase from the former spouse the Membership Interest or portion thereof pursuant to Section 8.5 of this Agreement; provided that the option period shall commence on the later of (1) the day following

the Expiration Date, or (2) the date of actual notice of the Award.

(b) If, by reason of the death of a spouse of a Member, any portion of a Membership Interest is transferred to a Transferee other than (1) that Member or (2) a trust created for the benefit of that Member (or for the benefit of that Member and any combination between or among the Member and the Member's issue) in which the Member is the sole Trustee and the Member, as Trustee or individually, possesses all of the Voting Interest included in that Membership Interest, then the Member shall have the right to purchase the Membership Interest or portion thereof from the estate or other successor of his or her deceased spouse or Transferee of such deceased spouse, and the estate, successor, or Transferee shall sell the Membership Interest or portion thereof at the price set forth in Section 8.7 of this Agreement. If the Member has failed to consummate the purchase within 90 days after the date of death (the Expiration Date), the Company shall have the option to purchase from the estate or other successor of the deceased spouse the Membership Interest or portion thereof pursuant to Section 8.5 of this Agreement; provided that the option period shall commence on the later of (1) the day following the Expiration Date, or (2) the date of actual notice of the death.

8.4 On the receipt of Notice by the other Member(s) as contemplated by Section 8.1, and on receipt of actual notice of any Triggering Event (the date of such receipt is hereinafter referred to as the "Option Date"), the remaining Manager shall promptly give notice of the occurrence of such a Triggering Event to each Manager, and the Company shall have the option, for a period ending 30 calendar days following the determination of the purchase price as provided in Section 8.6, to purchase the Membership Interest in the Company to which the option relates, at the price and on the terms provided in Section 8.6. The transferee of the Membership Interest in the Company that is not purchased shall hold such Membership Interest in the Company subject to all of the provisions of this Agreement.

8.5 No Member shall participate in any Vote or decision in any matter pertaining to the disposition of that Member's Membership Interest in the Company under this Agreement.

8.6 The purchase price of the Membership Interest that is the subject of an option under this Agreement shall be the Fair Market Value of such Membership Interest as determined under this Section 8.6. Each of the selling and purchasing parties shall use his, her, or its best efforts to mutually agree on the Fair Market Value. If the parties are unable to so agree within 30 days of the date on which the option is first exercisable (the Option Date), the selling party shall appoint, within 40 days of the Option Date, one appraiser, and the purchasing party shall appoint within 40 days of the Option Date, one appraiser. The two appraisers shall within a period of five additional business days, agree on and appoint an additional appraiser. The three appraisers shall, within 60 days after the appointment of the third appraiser, determine the Fair Market Value of the Membership Interest in writing and submit their report to all the parties. The Fair Market Value shall be determined by

disregarding the appraiser's valuation that diverges the greatest from each of the other two appraisers' valuations, and the arithmetic mean of the remaining two appraisers' valuations shall be the Fair Market Value. Each purchasing party shall pay for the services of the appraiser selected by it, plus one-half of the fee charged by the third appraiser. The option purchase price as so determined shall be payable in cash.

8.7 Except as expressly permitted under Section 8.1, a prospective transferee (other than an existing Member) of a Membership Interest may be admitted as a Member with respect to such Membership Interest (Substituted Member) only (1) on the unanimous Vote of the (remaining) Manager in favor of the prospective transferee's admission as a Member, and (2) on such prospective transferee's executing a counterpart of this Agreement as a party hereto. Any prospective transferee of a Membership Interest shall be deemed an Assignee, and, therefore, the owner of only an Economic Interest until such prospective transferee has been admitted as a Substituted Member.

8.8 Any person admitted to the Company as a Substituted Member shall be subject to all provisions of this Agreement.

8.9 The original issuance of Membership Interests in the Company to the original Member(s) has not been qualified or registered under the Securities Act of 1933, as amended, in reliance upon exemptions from the registration provisions of those laws. No attempt has been made to qualify the offering and issuance of Membership Interests to Member(s) under the *California Corporate Securities Law of 1968*, as amended, also in reliance upon an exemption from the requirement that a permit for issuance of securities be procured. Notwithstanding any other provision of this Agreement, Membership Interests may not be Transferred or Encumbered unless registered or qualified under applicable state and federal securities law or unless, in the opinion of legal counsel satisfactory to the Company, such qualification or registration is not required. The Member who desires to transfer a Membership Interest shall be responsible for all legal fees incurred in connection with said opinion.

ARTICLE IX.

DISSOLUTION AND WINDING UP

9.1 The Company shall be dissolved only on the first to occur of the following events:

(a) The death, incapacity, or withdrawal of a Manager; or the bankruptcy or dissolution of a Manager; provided, however, that the remaining Manager may, by their unanimous approval within 90 days after the happening of that event, elect to continue the Company, in which case the Company shall not be dissolved. If the remaining Manager fail to so elect, the (remaining) Manager shall dissolve and wind up the Company.

(b) The expiration of the term of existence of the Company.

(c) The written agreement of those Member(s) owning more than fifty percent (50%) of the Percentage Interests to dissolve the Company.

(d) The sale or other disposition of substantially all of the Company assets. (The election to sell all or substantially all of the Property can be made only by the Manager but also will require the vote or written consent of those Member(s) owning more than fifty percent (50%) of the Percentage Interests in the partnership.)

(e) Entry of a decree of judicial dissolution pursuant to *California Corporations Code* ' 27351.

9.2 On the dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Manager and Member(s) who have not wrongfully dissolved the Company shall wind up the affairs of the Company. The Persons winding up the affairs of the Company shall give written Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to Member(s)) the remaining assets of the Company shall be distributed or applied in the following order of priority:

(a) To pay the expenses of liquidation.

(b) To repay any loan theretofore made by a Manager to the Company.

(c) Among the Member(s) in accordance with the provisions of Article IV, Section 4.7.

9.3 Each Member shall look solely to the assets of the Company for the return of the Member's investment, and if the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the investment of any Member, such Member shall have no recourse against any other Member(s) for indemnification, contribution, or reimbursement.

ARTICLE X. **ARBITRATION**

Any action to enforce or interpret this Agreement or to resolve disputes between the Member(s) or by or against any Member shall be settled by arbitration in accordance with the rules of the American Arbitration Association. Arbitration shall be the exclusive dispute resolution process in the State of California, but arbitration shall be a nonexclusive process elsewhere. Any party may commence arbitration by sending a written demand for arbitration to the other parties. Such demand shall set forth the nature of the matter to be resolved by arbitration. Arbitration shall be conducted at San Diego, California. The

substantive law of the State of California shall be applied by the arbitrator to the resolution of the dispute. The parties shall share equally all initial costs of arbitration. The prevailing party shall be entitled to reimbursement of attorney fees, costs, and expenses incurred in connection with the arbitration. All decisions of the arbitrator shall be final, binding, and conclusive on all parties. Judgment may be entered upon any such decision in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE XI. **GENERAL PROVISIONS**

11.1 This Agreement constitutes the whole and entire agreement of the parties with respect to the subject matter of this Agreement, and it shall not be modified or amended in any respect except by a written instrument executed by all the parties. This Agreement replaces and supersedes all prior written and oral agreements by and among the Member(s) or any of them.

11.2 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each signed counterpart is effective when it is delivered to the principal office of the Company by (i) hand-delivery, (ii) facsimile or (iii) pdf.

11.3 This Agreement shall be construed and enforced in accordance with the internal laws of the State of California. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality, or unenforceability, or if that is not possible, such provision shall, to the extent of such invalidity, illegality or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

11.4 This Agreement shall be binding on and inure to the benefit of the parties and their heirs, personal representatives and permitted successors and assigns.

11.5 Whenever used in this Agreement, the singular shall include the plural, the plural shall include the singular, and the neuter gender shall include the male and female as well as a trust, firm, company, or corporation, all as the context and meaning of this Agreement may require.

11.6 The parties to this Agreement shall promptly execute and deliver any and all additional documents, instruments, notices and other assurances and shall do any and all other acts and things reasonably necessary in connection with the performance of their respective obligations under this Agreement and to carry out the intent of the parties.

11.7 Except as provided in this Agreement, no provision of this Agreement shall be construed to limit in any manner the Member(s) in the carrying on of their own

respective businesses or activities.

11.8 Except as provided in this Agreement, no provision of this Agreement shall be construed to constitute a Member, in the Member's capacity as such, the agent of any other Member.

11.9 Each Member represents and warrants to the other Member(s) that the Member has the capacity and authority to enter into this Agreement.

11.10 The article, section and paragraph titles and headings contained in this Agreement are inserted as matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

11.11 This Agreement may be altered, amended or repealed only by a writing signed by all of the Member(s).

11.12 Time is of the essence of every provision of this Agreement that specifies a time for performance.

11.13 This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

11.14 The Member(s) intend the Company to be a limited liability company under the Act. No member shall take any action inconsistent with the express intent of the parties to this agreement.

IN WITNESS WHEREOF, each of the undersigned has executed or caused to be executed this Agreement on the day and year first above written.

Mark Bishop

Mark Bishop

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IN WITNESS WHEREOF, each of the undersigned has executed or caused to be executed this Agreement on the day and year first above written.

Mark Bishop



Mark Bishop

2012-11-16

B E S L U T

A.B.S.I.G LLC, ABS Investment Group LLC
och Mark Bishop
c/o Advokatfirman Lindahl
Mäster Samuelsgatan 20
101 39 Stockholm

FI Dnr 12-8161

FI Dnr 12-8166

FI Dnr 12-8186



Finansinspektionen
Box 7821
SE-103 97 Stockholm
[Brunnsgatan 3]
Tel +46 8 787 80 00
Fax +46 8 24 13 35
finansinspektionen@fi.se
www.fi.se

Tillstånd att förvärva aktier

Finansinspektionens beslut

1. Finansinspektionen lämnar A.B.S.I.G LLC (EIN No 26-2582511) tillstånd till direkt förvärv av 100 % av aktierna i Traction Fonder AB, organisationsnummer 556673-5758.
2. Finansinspektionen lämnar ABS Investment Group LLC (EIN No 26-2119490) tillstånd till indirekt förvärv av 50% av aktierna i Traction Fonder AB, organisationsnummer 556673-5758.
3. Finansinspektionen lämnar Mark Bishop (Civ No 553-19-5111) tillstånd till indirekt förvärv av 100 % av aktierna i Traction Fonder AB, organisationsnummer 556673-5758.
4. Det åligger var och en av A.B.S.I.G LLC, ABS Investment Group LLC och Mark Bishop att snarast underrätta Finansinspektionen när förändringar i deras innehav äger rum.

(11 kap. 3 § lagen [2004:46] om investeringsfonder)

Ärendet

A.B.S.I.G LLC har ansökt om tillstånd till direkt förvärv av 100 % av aktierna i Traction Fonder AB (fondbolaget). ABS Investment Group LLC har ansökt om tillstånd till indirekt förvärv av 50% av aktierna och Mark Bishop har ansökt om tillstånd till indirekt förvärv av 100 % procent av aktierna i fondbolaget, genom ägande av dels 50 % av aktierna i A.B.S.I.G LLC, dels av 100 % av aktierna i ABS Investment Group LLC.

Enligt 11 kap. 1 § lagen (2004:46) om investeringsfonder (LIF) får ett direkt eller indirekt förvärv av aktier i ett fondbolag, som medför att förvärvarens sammanlagda innehav utgör ett kvalificerat innehav eller att ett kvalificerat innehav ökas över vissa i lag angivna procentuella gränser, ske bara efter tillstånd av Finansinspektionen. Enligt 11 kap. 3 § LIF ska tillstånd ges om förvärvaren bedöms vara lämplig att utöva ett väsentligt inflytande över ledningen av ett fondbolag och det kan antas att det tilltänkta förvärvet är ekonomiskt sunt. Hänsyn ska tas till förvärvarens sannolika påverkan på verksamheten i fondbolaget. Vid bedömningen ska Finansinspektionen bl.a. beakta förvärvarens anseende och kapitalstyrka.

Finansinspektionen finner att det finns förutsättningar för att lämna tillstånd till förvärvet.

FINANSINSPEKTIONEN

Fredrik Lundberg
Enhetschef

Erik Andersson
Jurist
08-5864 84 49



Traction Fonder AB
c/o Advokatfirman Lindahl
Att: Charlotta Ohlsson
Box 1065
101 39 STOCKHOLM

FI Dnr 12-12912

Finansinspektionen
Box 7821
SE-103 97 Stockholm
[Brunnsgatan 3]
Tel +46 8 787 80 00
Fax +46 8 24 13 35
finansinspektionen@fi.se
www.fi.se

Ledningsprövning

Finansinspektionen har efter ledningsprövning inget att invända mot av Traction Fonder AB, organisationsnummer 556673-5758, anmälda personer

- Mark Bishop, styrelseledamot
- Helena Erlandsson, styrelseledamot

Finansinspektionens prövning har gjorts utifrån de uppgifter bolaget har gett in och utifrån registeruppgifter som har inhämtats från Skatteverket, Rikspolisstyrelsen, Kronofogdemyndigheten, Bolagsverket och utländsk tillsynsmyndighet.

FINANSINSPEKTIONEN

Fredrik Lundberg
Enhetschef

Erik Andersson
Jurist
08 5864 84 49

*Bilaga 4***Ansökan/anmälan ledningsprövning**

En styrelseledamot, styrelsesuppleant, verkställande direktör och dennes ställföreträdare i finansiella företag ska lämna uppgifter enligt denna bilaga när företaget ansöker om Finansinspektionens tillstånd. Ledningsprövningen ingår som en del i en tillståndsansökan.

Uppgifter enligt bilagan ska även lämnas till Finansinspektionen vid anmälan om förändringar av ovanstående personkrets.

Finansinspektionen tar i samband med ledningsprövningen in uppgifter från t.ex. Rikspolisstyrelsen, Bolagsverket, Skatteverket, Kronofogdemyndigheten och företag som erbjuder kreditupplysningar.

Ansökningsformulär

Fyll i uppgifter i formuläret nedan. Vissa uppgifter lämnas dock i separata dokument. Se Checklista för bilagor på ledningsprövningens sista sida.

Kontaktuppgifter

Vem ska Finansinspektionen kontakta med anledning av denna ansökan/anmälan?

Förnamn: Ulf
 Efternamn: Deckmark
 Titel: VD
 Adress: Birger Jarls gate 32 B
 Telefonnummer: 070 530 9331
 E-post: ulf@deckmark@optimusfonder.se
 Fax: _____

Vilket finansiellt företag avser ledningsprövningen (inklusive organisationsnummer)?

Optimus Fonder AB org nr 556673-5758

Position i styrelse och befattning

Vilken position i styrelsen eller befattning avser ledningsprövningen?

- ___ styrelseordförande
 X styrelseledamot
 ___ styrelsesuppleant
 ___ verkställande direktör
 ___ verkställande direktörens ställföreträdare

Om du tidigare lämnat identisk information till Finansinspektionen i ett annat ärende kan du hänvisa till denna. Uppge diarienummer och vilka uppgifter du avser.

Personuppgifter

1. Om du är folkbokförd i Sverige

Förnamn: Ulf
 Efternamn: Deckmark
 Personnummer: 610320-0171
 Adress: Bingenjartorget Kametväge 17, 8tr 182 4P Täby
 Telefonnummer: 070-570 93 31

Om du inte är folkbokförd i Sverige*

Förnamn: _____
 Efternamn: _____
 Personnummer eller motsvarande: _____
 Födelsedatum: _____
 Födelseort: _____
 Adress: _____
 Telefonnummer: _____
 Nationalitet: _____
 Passnummer: _____
 Ev. tidigare nationaliteter: _____
 Ev. tidigare namn: _____

* Om du inte är folkbokförd i Sverige, bifoga en vidimerad kopia av identitetshandling.

Meritförteckning

2. Bifoga en meritförteckning där det framgår relevanta uppgifter om din utbildning, arbetslivserfarenhet och andra uppdrag.

Anställning och uppdrag i styrelse samt ledning

3. Ange i vilka företag du är anställd, har ett stadigvarande uppdrag eller är utsedd till styrelsemedlem. Uppge även om du har fler befattningar i samma företag:

Företagets namn (inklusive org. nr)	Verksamhetens art	Företagets säte	Position i styrelsen och befattning
Optimus Fonde	Fondbolag	Stockholm	VD

Kvalificerat ägande

4. Ange om du direkt eller indirekt har ett kvalificerat innehav i det företag som ledningsprövningen avser eller om du på annat sätt har ett väsentligt inflytande:

Nej

5. Ange i vilka övriga företag du har ett direkt eller indirekt kvalificerat innehav eller på annat sätt ett väsentligt inflytande:

Företagets namn (inkl. organisationsnummer)	Verksamhetens art	Företagets säte	Innehav i procent

Nära anhöriga med ägarandelar

6. Ange om en nära anhörig till dig äger andelar i det företag som ledningsprövningen avser eller i ett annat företag, som i sin tur innehar ägarandelar i det företaget.

Ange även om det finns andra finansiella relationer mellan ovanstående.

Med *nära anhörig* avses make, sambo, barn, föräldrar samt andra närstående som du har gemensamt hushåll med.

Nej

Intressekonflikter

7. Uppge om din position i företaget som ledningsprövningen avser samt dina övriga engagemang kan ge upphov till eventuella intressekonflikter och redogör för hur dessa ska hanteras.

SE FÖLSEBREV

Ledningspersonens anseende

8. Har du

a) under de senaste tio åren blivit dömd vid svensk eller utländsk domstol, eller formellt blivit delgiven misstanke om brott i **pågående förundersökning**, för ekonomisk brottslighet där fängelse ingår i straffskalan?

Ja

Nej

b) under de senaste tio åren blivit dömd till fängelse vid svensk eller utländsk domstol för annat brott än enligt 8 a)?

Ja

Nej

c) under de senaste fem åren varit medlem i en styrelse eller varit verkställande direktör eller dennes ställföreträdare i ett rörelsedrivande företag där styrelsen inte beviljats ansvarsfrihet?

Ja

Nej

d) under de senaste fem åren blivit avskedad från en anställning i ett finansiellt företag eller en anställning som ledande befattningshavare eller ett uppdrag som styrelsemedlem eller revisor i ett annat rörelsedrivande företag.

Ja

Nej

9. Har, såvitt du känner till, du eller något företag där du är eller har varit ledande befattningshavare eller styrelsemedlem alternativt har eller har haft kontroll över:

a) under de senaste fem åren varit (eller är) part i något skiljenämnds-förfarande eller någon civilrättslig (dock ej familjerättslig) process eller förvaltningsprocess som rör skatt eller näringsverksamhet?

Ja

Nej

b) under de senaste fem åren varit (eller är) föremål för skuldsanering, ackord eller företagsrekonstruktion, försatts i konkurs eller motsvarande förfarande utomlands?

Ja

Nej

c) under de senaste tio åren fått en sanktion av tillsynsmyndighet i Sverige eller utomlands?

Ja

Nej

d) under de senaste tio åren i Sverige eller utomlands fått avslag på en ansökan, blivit utesluten eller på annat sätt begränsats vad gäller rätten att utföra verksamhet eller yrke som kräver tillstånd, registrering eller liknande?

Ja

Nej

e) under de senaste tio åren lämplighetsprövats av en utländsk behörig myndighet?

Ja

Nej

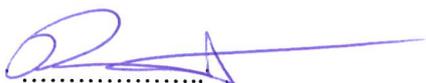
10. Om du svarat ja på någon av frågorna under 8 och 9 redogör för omständigheterna:

Upplysningar

Lämna eventuella övriga upplysningar till Finansinspektionen nedan.

Härmed intygas att lämnade uppgifter är riktiga och fullständiga.

Datum: 2014-03-06



.....
Namnteckning

Ulf Dechmark

.....
Namnförtydligande

Checklista – dokument som ska bifogas ledningsprövningen

Följande dokument ska bifogas ansökan/anmälan	Finns bifogad	Om ej bifogad, ange skäl
Om du inte är folkbokförd i Sverige: en vidimerad kopia av identitetshandling, som anges i avsnitt 1.		
Meritförteckning, som anges i avsnitt 2.	Ja	

Curriculum Vitae

Personuppgifter

Namn **Ulf Deckmark**
Adress Kometvägen 17, 8tr
SE-183 48 Täby
Telefon +46 70 530 93 31
E-post Uffe470@gmail.com
Födelsedatum 30 mars 1961
Civilstånd Sambo

Sammanfattning

- 7 års erfarenhet som VD för fondbolag
- 27 års erfarenhet av förvaltning
- 1 års erfarenhet som kreditansvarig
- 3 års erfarenhet som ansvarig för uppbyggnad av kapitalförvaltning i SEB, Bromma
- Representerat SEB i TV4 i 13 avsnitt av våra pengar
- Wallenbergsinstitutet för högre ledarskap

Arbetslivserfarenhet

Arbetsgivare, ort

Position
Huvuduppgifter och ansvarsområden

Optimus Fonder, Stockholm, januari 2009 - (pågående)

Optimus Fonder grundades 2005 och förvaltar två st fonder och ägs till 100% av ABSIG LLC.

VD och Förvaltare

Ansvarig förvaltare för Optimus SmallCap vilket innebär att självständigt förvalta fonderna för att uppnå en acceptabel riskjusterad avkastning.

Arbetet innebär att under eget resultatansvar öka förvaltningsvolymerna och säkerställa att alla interna regler och rutiner är ändamålsenliga och uppfyller kraven som styrelse och Finansinspektionen ställer.

Som försäljningsansvarig innebär arbetet dels att öka volymerna men också att motivera säljare till att öka försäljningen. Utöver det ansvarar jag för kontakter med institutioner och anordna diverse träffar med försäkringsförmedlare.

Resultat

Väl fungerade struktur för risk- och regelverksarbete samt budget, prognos och uppföljningsprocesser Förvaltningsresultat, Sedan start (okt 2007) har SmallCap fonden gått 15 % - enheter bättre än OMX SmallCap index och till nästan halverad risk.

Räntebärande fonden Yield har nominerats av MoneyMate som en av de tre bästa i kategorin 'Best Balanced Management Fund'.

Arbetsgivare, ort

Stockholm Asset Management, Stockholm, 2007 – 2009

Position

VD/Försäljningschef, förvaltare och partner

Huvuduppgifter och ansvarsområden

Arbetet innebar att starta och bygga upp ett fondbolag ifrån grunden. Mina arbetsuppgifter innebar bl. a. att driva bolaget framåt genom att bygga upp en förvaltningsvolym och ansvara för de interna reglerna och rutinerna samt med fritt mandat förvalta en Smallcap fond.

Resultat

Upprättat struktur för risk- och regelverksarbete samt budget, prognos och uppföljningsprocesser. Förvaltningsresultat, fonden klart bättre än index och till lägre risk.

UBS valde SmallCap fonden som en av fonder i deras sortiment.

Arbetsgivare, ort	SEB, Stockholm, 1997 – 2007
Position	Affärsansvarig och portföljförvaltare
Huvuduppgifter och ansvarsområden	Affärsansvarig innebar att öka affärsverksamheten inom avdelningen genom att stimulera medarbetare till ökad försäljning. Ansvarade för ett förvaltad kapital av 800 miljoner kronor. Analyserade och utvärderade ett stort antal Nordiska bolag och har historiskt lyckats förvalta ett kapital bättre än benchmark. Under några år arbetade jag även parallellt som ordförande i kreditkommittén inom SEB Enskilda Banken vid Sergels Torg och ansvarade för kredit beslut upp till 15 miljoner kronor per kund.
Arbetsgivare, ort	SEB Kapitalförvaltning Bromma, Stockholm, 1994 – 1997
Position	Ansvarig chef
Huvuduppgifter och ansvarsområden	Arbetet innebar bland annat att leda och bygga upp en Kapitalförvaltningsenhet. Arbetsuppgifterna innebar totalansvaret för enhetens resultat och utveckling. En viktig arbetsuppgift var att utveckla och inspirera personalen. Fokus var att öka förvaltningsvolymen och vinsten via befintliga och nya kunder. Skapa olika affärsmodeller för risk och avkastningshantering gentemot kund i syfte att dra ner risken med bibehållen avkastningsnivå.
Resultat	Förvaltningsvolymen ökade ifrån 2,3 miljarder till 3,2 miljarder. Antal kunder ökade ifrån 400 till 600 st. Antalet anställda ökade från 7 personer till 10 personer samtidigt som vinsten ökade ifrån 7,0 miljoner till 12 miljoner.
Arbetsgivare, ort	SEB Notariat Norrmalm, Stockholm, 1989 – 1994
Position	Förvaltare och stf chef
Huvuduppgifter och ansvarsområden	Arbetet innebar att från grunden bygga upp en kapitalförvaltningsenhet, vilket innebar att självständigt införskaffa kunder, bygga lönsamhet och volymer. Som stf chef från 1992 innebar jobbet att självständigt fortsätta och bygga verksamheten vilket innebar ett personalansvar och lönsamhetsansvar, chefen tog ansvaret för de mer administrativa arbetsuppgifterna.
Resultat	Vinst och förvaltningsvolym ökade kraftigt och avdelningen blev på kort tid en av de största och lönsammaste kapitalförvaltningsenheten inom SEB.
Arbetsgivare, ort	Hirsch Metallkonto, Stockholm, 1987 – 1989
Position	Förvaltningsansvarig
Huvuduppgifter och ansvarsområden	Ansvarade för förvaltning av bolagets egna medel, olika konsortier och kunders värdepappersportföljer. Företaget köptes upp 1988, av det då börsnoterade Obligentia, resurser och förutsättningar ändrades varför jag valde att sluta.
Arbetsgivare, ort	Svensk Börsanalys, Stockholm, 1985 – 1987
Huvuduppgifter och ansvarsområden	VD rollen innebar att leda och organisera uppbyggnaden av en avdelning för aktiv internationell kapitalförvaltning inom penning-, aktie-, valuta-, och råvaruhandel. Företaget omsatta cirka 125 miljoner och hade fyra anställda.

Arbetsgivare, ort
Huvuduppgifter och ansvarsområden

Deckmark & Deckmark, 1983 – 1985

Under denna period studerade jag till civilekonom på Stockholms Universitet och startade vid samma tidpunkt Deckmark & Deckmark AB tillsammans med min äldre bror. Företaget arbetade med försäljning av "sales promotion" tjänster och kapitalförvaltning. Efter två år köpte jag ut min bror och sålde sedan bolaget till Svensk Börsanalys AB, 1985.

Utbildning

- | | |
|-----------|--|
| 2008 | Management Training dvs licensiering i säljhinder metodik genom Svenska Belbin AB. För bl.a. VD:ar som vill leda sitt företag in i en säljande kultur utan ursäkter för att göra nya affärer. |
| 2003 | SwedSec Licensiering |
| 1995-1996 | Wallenbergsinstitutet för högre ledarskapsutveckling. Varje år blir ca 20 personer inom SEB koncernen utvalda till Wallenbergsinstitutet. Programmet riktar sig till personer som har en stor ledar potential och som förväntas bli framtidens ledare inom SEB koncernen. Rektor för Wallenbergsinstitutet var Arne Ögre Bankdirektör i SEB och ordförande i Ångpanneföreningen. |
| 1995 | Förhandlingsteknik anordnad av SEB |
| 1993-1994 | Ledarutvecklingsprogram för etablerade chefer under 10 månader. Ansvarig för utbildnings- programmet var Arne Ören. |
| 1993 | Representerade S-E-Banken i TV 4;s program Våra pengar vid ett tjugotal tillfällen. Programledare var Magnus Briggert. Specialutbildades då i bl.a. retorik och TV framträdande av Per Falkman. |
| 1992 | Dale Carnegies Management program för etablerade chefer. Anordnades av Dale Carnegie & Associates Inc. och på gick under en sex månaders period. |
| 1991 | Att tala och informera inför grupp, en internkurs anordnad av SEB. |
| 1983-1985 | Påbörjad civilekonom utbildning vid Stockholms Universitet |
| 1981-1983 | Utbildning i juridik, kreditberedning, kreditbedömning och aktiekunskap som anordnades av affärsbankerna. |
| 1980-1981 | Militärtjänstgöring som Krypto-gruppbefäl inom Kungliga Upplands regemente. Var stationerad mestadels i Uppsala och Sigtuna. |
| 1977-1980 | Tre årig ekonomisklinje, Tibble Gymnasium i Täby. |

Språkkunskaper och övrig information

Modersmål	Svenska
Övriga språkkunskaper	Engelska

Personligt Social, driven, lyhörd och resultatorienterad.

Intressen Idrottsintresserad och utövar tennis, skidåkning och träning på gym. Andra intressen är matlagning, goda viner och umgänge med kamrater. Att umgås med mina båda barn är ett stort intresse.

Referenser Lämnas vid förfrågan.

Finansinspektionen
Box 7821
103 97 Stockholm
Via e-post

Stockholm den 6 mars 2014

Ang. Optimus Fonder AB, org.nr 556673-5758; Begäran om ledningsprövning

Mark Bishop har den 4 mars 2014 frånträtt sitt uppdrag som styrelseledamot i Optimus Fonder AB (Optimus). En extra bolagsstämma i Optimus har samma dag utsett bolagets VD, Ulf Deckmark, till ny styrelseledamot. Efter denna förändring består Optimus styrelse av Carl-Magnus Kindal, ordförande, Helena Erlandsson och Ulf Deckmark. Optimus har inlett ett arbete med att hitta en ny styrelseledamot med gedigen erfarenhet och kunskap om fondreglering att ersätta Ulf Deckmark snarast möjligt.

Uppgifter för Finansinspektionens ledningsprövning av Ulf Deckmark, personnr 610330-0171, bifogas i enlighet med Finansinspektionens Föreskrifter FFFS 2013:9, bilaga 4.

Uppdraget som styrelseledamot i Optimus skulle kunna innebära vissa intressekonflikter i förhållande till Ulf Deckmarks uppdrag som VD i bolaget, framförallt när det gäller styrelsens ansvar för styrning och intern kontroll i bolaget. Mot bakgrund av att bolaget har outsourcade och oberoende funktioner för såväl riskkontroll, compliance som internrevision samt att uppdraget som styrelseledamot är tänkt att endast löpa under en begränsad period, är det dock Optimus uppfattning att eventuella intressekonflikter kan hanteras. För det fall en intressekonflikt skulle uppmärksammas i en konkret fråga får Ulf Deckmark i ett sådant läge avstå från att delta i styrelsens behandling av den uppkomna frågan

I övrigt har Optimus inte identifierat någon intressekonflikt.

Anmälningavgift på 16 000 kr har denna dag inbetalats till FI på bankgiro 5050-6922.

Vänligen,

för
Optimus Fonder AB

Åsa Kjellander
e.u.

2014-11-27

B E S L U T

Optimus Fonder AB
Birger Jarlsgatan 32 B 4tr

FI Dnr 14-1470, 14-1574,
14-1818 och 14-4120

114 29 STOCKHOLM



Finansinspektionen
Box 7821
SE-103 97 Stockholm
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finansinspektionen@fi.se
www.fi.se

Avskrivning av ärenden angående ansökan om godkännande av ändring av fondbestämmelser, godkännande av nya fondbestämmelser samt ledningsprövning

Finansinspektionens beslut

1. Finansinspektionen avskriver ärendena med FI Dnr,

14-1470, Godkännande av nya fondbestämmelser Optimus High Yield EUR,

14-1574, Godkännande av ändring i fondbestämmelser Optimus Small Cap,

14-1818, Godkännande av nya fondbestämmelser Optimus Small Cap EUR
och

14-4120, Ledningsprövning
2. Finansinspektionen avslår Optimus Fonder ABs begäran om återbetalning av
inbetalda ansökningsavgifter om sammanlagt 75 000 kronor och medger
istället återbetalning om sammanlagt 55 000 kronor.

*(9 § förordningen [2001:911] om avgifter för prövning av ärenden hos
Finansinspektionen)*

Hur man överklagar, se [bilaga](#).

Ärendet

Optimus Fonder AB (bolaget) har under perioden 28 januari - 6 mars 2014,
inkommit med fyra ansökningar avseende godkännande av nya

fondbestämmelser (två ärenden), godkännande av ändring av fondbestämmelser (ett ärende) samt en anmälan om ledningsprövning.

Bolaget har i skrivelse som inkom till Finansinspektionen den 17 november 2014 återkallat ovan nämnda ansökningar. Vidare har bolaget begärt återbetalning av ansökningsavgiften i samtliga ärenden. Sammanlagt har bolaget begärt återbetalning om 75 000 kronor (24 000 kr + 11 000 kr + 24 000 kr + 16 000 kr).

Finansinspektionens bedömning

Med hänsyn till att fondbolaget har återkallat samtliga ansökningar ska ärendena avskrivas.

Förordningen (2001:911) om avgifter för prövning av ärenden hos Finansinspektionen (avgiftsförordningen) innehåller bestämmelser om avgifter som ska betalas för Finansinspektionens prövning av bland annat ansökningar inom Finansinspektionens ansvarsområde. Enligt 7 § avgiftsförordningen ska en avgift betalas för varje avgiftsbelagt ärende som en ansökan avser. Om det finns särskilda skäl för det får Finansinspektionen, enligt 9 § avgiftsförordningen, betala tillbaka eller medge befrielse från hela eller del av avgiften.

Bolaget har anfört att tjänsteman på Finansinspektionen har meddelat att ärendena har vilandeförklarats i avvaktan på att tillsynsärende avseende bolaget slutligt har avgjorts. Eftersom ingen handläggning av ärendena påbörjats, ingen handläggare har utsetts eller meddelats bolaget och inte heller några andra åtgärder vidtagits i ärendena är det bolagets uppfattning att ansökningsavgifterna ska återbetalas i sin helhet.

När en ansökan kommer in till Finansinspektionen tas den emot av registraturen, diarieförs och klassificeras för att sedan delas ut till relevant enhet. Väl på enheten görs en översiktlig genomgång av ärendet för att säkerställa att den klassificerats korrekt hos registraturen samt för att kunna bedöma karaktären på ärendet för att kunna utse en handläggare. Handläggaren gör i sin tur en formaliagranskning av ärendet och skickar sedan en bekräftelse till den sökande att handlingarna kommit in samt uppger även om en initial komplettering behöver göras.

I samtliga ärenden som bolaget gett in har alla steg utom det sista vidtagits. Vidare har ärendena bevakats och det har förts en dialog med bolaget vid flera tillfällen för att utröna vilka ärenden som bolaget önskat gå vidare med. Även om ingen regelrätt handläggning av ärendena påbörjats föreligger det inte särskilda skäl att medge befrielse från hela ansökningsavgifterna. Finansinspektionen anser däremot att det finns särskilda skäl att medge återbetalning av del av avgiften i samtliga ärenden. Finansinspektionen bedömer att 5 000 kr per ärende är en skälig nivå för den arbetsinsats som lagts ner och således ska 55 000 kr (19 000 kr + 6 000 kr + 19 000 kr + 11 000 kr) återbetalas till bolaget.

FINANSINSPEKTIONEN

Agneta Blomquist
Avdelningschef
Fondrätt

Anna Cederberg
Tf. Enhetschef
Fondrätt värdepappersfonder
08-787 83 16

DELGIVNINGSKVITTO



FI Dnr 14-1470, 1574, 14-1818 och 14-4120

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Avskrivning av ärenden angående ansökan om godkännande av ändring av fondbestämmelser, godkännande av nya fondbestämmelser samt ledningsprövning

Handling:

Beslut avseende ansökan om godkännande av ändring av fondbestämmelser, godkännande av nya fondbestämmelser samt ledningsprövning den **27 november 2014 Optimus Fonder AB**

Jag har denna dag tagit del av handlingen.

.....
DATUM

.....
NAMNTECKNING

.....
NAMNFÖRTYDLIGANDE

.....
EV. NY ADRESS

.....

.....

.....

Detta kvitto ska sändas tillbaka till Finansinspektionen **omgående**. Om kvittot inte skickas tillbaka kan delgivning ske på annat sätt, t.ex. genom stämningsman.

Om du använder det bifogade kuvertet är återsändandet gratis.

Glöm inte att **ange datum** för mottagandet.

Hur man överklagar

Om ni anser att beslutet är felaktigt kan ni överklaga det genom att skriva till förvaltningsrätten. Ställ överklagandet till Förvaltningsrätten i Stockholm, men skicka eller lämna det till Finansinspektionen, Box 7821, 103 97 Stockholm.

Ange följande i överklagandet:

- Namn och adress
- Vilket beslut ni överklagar och ärendets nummer
- Varför ni anser att beslutet är felaktigt
- Vilken ändring ni vill ha och varför ni anser att beslutet ska ändras.

Kom ihåg att underteckna skrivelsen.

Överklagandet ska ha kommit in till Finansinspektionen inom tre veckor från den dag ni fått ta del av beslutet.

Finansinspektionen skickar överklagandet vidare till Förvaltningsrätten i Stockholm, om det kommit in i tid och Finansinspektionen inte själv ändrar beslutet på det sätt som ni begärt.