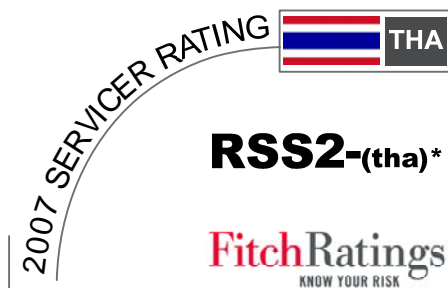


**RMBS/Thailand
Servicer Report****Capital Advisory Services
(Thailand) Limited****Rating**

Residential Special Servicer **RSS2-(tha)***
* denotes its relevance in Thailand's legal, economic and social context.

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Related Research

- "Thai Servicers Rating Criteria", dated August 2, 2007.

■ Summary

Fitch Ratings (Thailand) Limited has assigned a residential mortgage loan Special Servicer Rating of 'RSS2-(tha)' to Capital Advisory Services (Thailand) Limited (CAS). The rating reflects CAS's experienced and stable senior and middle management, advanced and efficient computer systems, and strong managerial support and oversight from its parent, Capital Services Holding Corporation (CSHC) and other group companies. CSHC group companies are referred to collectively as Capital Services Group (CSG).

Established in Thailand in 2000, CAS is effectively a wholly-owned subsidiary of CSHC, a holding company offering real estate and loan asset management services through its subsidiaries. Since its establishment, CAS has been servicing the Thai investment portfolios of certain investors, including Lehman Brothers (LB).

CAS has now grown to become one of the major servicing providers in the Thai market. Helped by the company's stable performance, CAS now has a sizeable share in the market, with the majority of its business coming from LB. At the end of 2006, CAS had serviced over 24,000 residential loans with over TBH32bn in unpaid balances. CAS has disclosed strategic plans to diversify its business by developing new investors and products.

■ Strengths

- Experienced and stable senior and middle management.
- Advanced and efficient computer systems, including SCORE, a proprietary system.
- Strong support and oversight from its parent, CSHC and other group companies.

■ Challenges

- The servicer recently updated many of its procedures to improve risk control capabilities.
- Limited experience with securitised transactions and investor exposure, other than LB.
- Securing adequate and balanced growth of its servicing assets in order to alleviate current customer concentration.

■ Mitigants

- The company, in cooperation with CSHC, has started renewed internal audit activities, which is expected to provide close monitoring of the implementation process.
- Increased awareness within management and staff of the importance of enhanced control; expected to result in more active local involvement in the internal audit process.

- LB's activities have brought CAS a variety of servicing experience, which should accommodate new investors and products without much difficulty. CAS, in cooperation with other CSG companies, started diversifying its business sources, while maintaining existing strong relationships with LB.

■ Company Overview

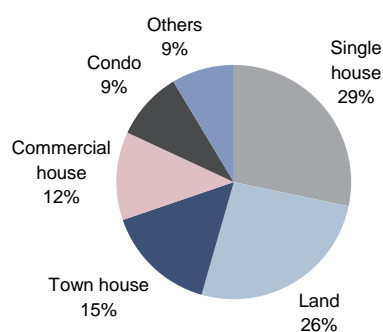
CAS was established in Thailand in 2000. The company is 49.9% owned by CSHC and 50.1% owned by SAL, Ltd., a local company owned by the local investors, including CAS employees. CAS is the largest of CSG's operations outside Japan. Since establishment, CAS has been the main servicer for a major part of LB's investment portfolios in non-performing mortgage loans in Thailand. LB has also been a long-standing customer for CSG in other markets.

LB acquired two large Thai investment portfolios in 1998 and 2000. As soon as it was established in 2000, CAS started as servicing coordinator for LB's investment portfolios. In 2002, CAS was named as a servicing coordinator (master servicer) for LB's GT Stars II securitisation transaction. In this role it oversaw two sub-servicers, Siam Commercial Bank Plc (SCB) and Premier LMS Limited (PLMS). By 2006 it had also become direct special servicer, replacing the sub-servicers. At the time of this report, the bonds issued by GT Stars II have been paid off earlier than scheduled and with solid performance.

The company's strategy is to grow as an independent servicer in the Thai market, which is consistent with the group mission of CSG. The company operates a one-year comprehensive strategic plan, which is updated to reflect and adjust for market developments and group strategy.

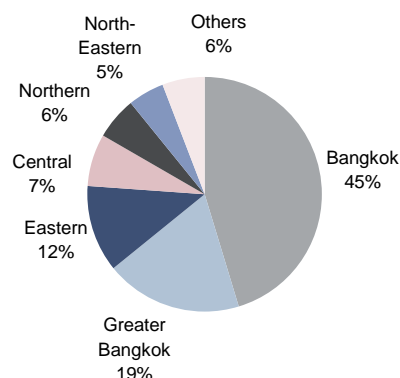
Although the majority of CAS's business has been derived from LB's investments in Thailand, CAS has now grown to become one of the major servicers in the Thai market, with a substantial servicing portfolio.

Collateral Distribution by Property Type



Source: CAS

Collateral Distribution by Area



Source: CAS

CAS has now started to pursue business with third parties, in addition to the relationship with LB. Fitch believes that the group's expertise in residential loan collections and in marketing real estate owned (REO) and foreclosed properties - coupled with expected improvement in its workforce capability as the result of enhanced job rotation and training programmes - will allow CAS to meet the various demands of new types of business.

However, Fitch notes that the proposed legislative change in Thailand, effecting foreign ownership, may possibly have an impact on the shareholding structure of CAS, and it will continue to monitor this development.

Residential NPL Portfolios Serviced by CAS

	At acquisitions		As of Jan 07		
	Loan counts	Unpaid balance (THBm)	Unpaid balance (THBm)	Collateral value (THBm)	Collection since acquisitions (THBm)
Loans	24,261	32,432	3,651	3,189	25,474
Deficiency claims	-	-	6,014	-	158
REO	-	-	-	813	1,524

Source: CAS

■ Financials

The financial performance of CAS was relatively stable and strong during 2004 to 2006. During this period, the company's operating revenue grew close to 50% and net profits more than tripled. This was a direct result of the servicing of the residential NPL portfolio, a significant increase in real estate assets and structured loans management portfolios, as well as additional fees from providing support to companies in CSG. However, its 2007 revenue and net income are likely to be weaker yoy due to lower projected collections on the NPL portfolios, a continued decline in due diligence fees, as well as higher personnel and rental expenses. Among the CSG companies, CAS is a significant contributor to CSHC's performance - second only to the group's companies in Japan. CAS is a pure servicing provider and as such it has no borrowings. Its equity base has been stable, with its equity-to-asset ratio running around 50%.

In light of the cohesive business structure of CSG, and the group's strategy of concentrating in Asia, it is likely that CAS will continue to receive reasonable financial support from the group, in a timely manner, if need arises. Fitch believes CSHC, CAS's parent, has sufficient resources and the willingness to provide any necessary financial support.

■ Staff and Training

CAS has maintained stable staff resources with sufficient industry experience. The staffing level at CAS was stable during 2005 and 2006, with 72 employees (90% of its permanent staff of 79) having at least a one year tenure with the company (25 staff (31%) had more than three year's company tenure). Overall staff turnover for the last three years was around 10%. The number of permanent staff doubled from 38 at end-2003 to 79 at end-2006 due to increased business volumes after CAS became a direct servicer.

Staff distribution among different functions is as follows (excluding managing directorship):

Function	
Portfolio management	46
Support and control	17
Real estate investment	11
Due diligence	4
Total	78

Source: CAS

CAS has maintained a policy of keeping good relationships with its employees and encourages staff in various ways, including developing training programmes and internal promotions. About 10% of the staff were promoted in 2006.

The company has expressed its intention to enhance its employee training programme further under a newly hired HR manager. Its training objectives in 2007 include an average 40 hours of training per employee (as compared to 33 hours in 2006) and 10 hours training within six months for new hires.

The framework of employee training is well developed. It includes business skill/knowledge courses, mandatory corporate courses (such as annual orientations and compliance courses) and soft skill courses, such as leadership courses and language skills.

Fitch values the servicer's ability to maintain good relationships with its employees and its commitment to enhancing employee training programmes.

■ Policies and Procedures

In 2005, at the request of CSHC, a Risk Management Committee (RMC) was established at the holding company to enhance the risk management structure for CAS and other CSG companies. At that time, the RMC reviewed the control framework of CAS and recommended a comprehensive control and monitoring structure. In early 2007, CAS updated policies and procedures regarding internal controls based on these recommendations.

The group's policies and procedures are comprehensive and well documented, in line with guidelines from the RMC. Policies and procedures are clearly written in a consistent format - including policy objectives, guidelines and concrete procedures - improving the ease of understanding.

Fitch believes that CAS's current structure of internal control is adequate; however, more time is required to determine whether internal control procedures have in fact enhanced the company's day-to-day operations. Fitch will closely monitor the implementation of these procedures.

All policies and procedures, including any updates, are stored in the regional intranet system and are readily available to all employees online, contributing to the integrity and efficiency of the workplace. Fitch believes that this important feature has been implemented adequately.

Part of CAS's internal auditing activities are outsourced to the Regional Internal Audit Director (RDIA) of CSHC. However, it has been less than a year since RDIA began audit activities following the guidelines authorised by the current RMC.

The latest internal audit was performed at the beginning of 2007 and lasted for less than a week. The scope of audit was limited to a high-level review

of finance and accounting, management reporting, asset management and fraud risk mitigation. Six ineffective control designs were pointed out, and five of them have been remedied to date.

The only regular external audit of the company is the financial audit performed by Ernst & Young. The audit for the year 2006 returned an unqualified opinion. The company is not subject to regulatory inspection or audit by the government.

The legal compliance function is performed by both in-house and outside lawyers. In 2004, CAS requested a major law firm to perform a comprehensive compliance check. The check covered all aspects of CAS, including scope of business and the need for regulatory permission or license. There were no major issues indicated in the review.

■ Technology

As its main servicing system, CAS uses the CSG proprietary developed Servicing Company Operating & Reporting Engine (SCORE). SCORE is an integrated and efficient web-based servicing system which offers a wide variety of servicing functions for all master, primary and special servicing needs, thus eliminating dual input requirements. The system can also provide information in real-time for investors. SCORE can function in a multi-lingual, multi-currency environment. Fitch believes that SCORE is one of the most integrated servicing systems in use in this industry.

CAS also utilises a custom-built real estate marketing platform called "Property Choice", which is actively used for REO and auction sales purposes. Thanks to the latest version of SCORE and other tools, the level of automation in CAS is high.

SCORE is shared by all CSG companies. CSHC has been coordinating the development/enhancement of the system to increase productivity and control across the CSG companies. CSHC established a Regional Change Advisory Board in early 2006 to better manage system development/change. Within CAS, there are three IT staff members, demonstrating adequate experience levels. This team cooperates with CSHC IT staff in handling issues related to SCORE.

Regular investor reports are automatically processed by SCORE and sent electronically. Irregular reports, including regulatory reports, are efficiently created via the Reporting Engine of the system and manual involvement is generally low.

The data in SCORE is backed-up in Japan (by Capital Servicing Tokyo and third-party KVH

Datacenter). All local information is backed-up on automated tapes at intervals of daily (differential) weekly and monthly. The tapes are stored at third-party offsite storage facilities. CAS has indicated its intention to change to synchronised back-up over the course of the year.

CAS established a delineated Business Continuity Plan (BCP) in May 2007, which assumes a terrorist attack (limited to a specific area). According to BCP, the company has already contracted a back-up office facility. CAS conducted testing of the BCP in June this year and confirmed that it is satisfactory.

■ Servicing – Loan Administration

New Loan Set-Up

In 2002, CAS was named the master servicer in a securitisation of LB's investments in Thailand. CAS took over the role of sub-servicers and assumed all of the servicing functions in 2005 and 2006. Loan set-up procedures were smooth when CAS started servicing these portfolios, primarily because CAS had experience with the portfolios and also LB's support was made available. When additions were recently made to the servicing assets, the servicer did not experience any difficulty.

Fitch believes that in its next acquisition, CAS will use the SCORE system to ensure swift and efficient loan set-up processes. The company has a well-documented set of procedures for loan set-up and has experience of swift servicing asset acquisition.

Accounting/Cash Management

All loan collections and payments are made through the accounts with SCB, the appointed collection agent. Based on the various collection reports prepared by SCB, monthly collection summaries are created by CAS (with the relevant data input into SCORE) and an internal reconciliation performed.

Investor Reporting/Remitting

Book-keeping for investors and the transmission of reports to investors - based on the collection summaries set by CAS - are performed by a third-party accountant (Tricor), which also performs all reconciliations and tax filings.

The Finance & Accounting Department of CAS is responsible for all related outsourced processes. It monitors activities, including suspense receipts, by preparing various summaries and reports using SCORE.

Customer Service

CAS has set up borrower contact guidelines according to which, the frequency of contact

depends on whether or not the borrower has made an offer to pay, or on the status of pending litigation.

Typically, CAS files for legal proceedings when the NPL is received for servicing. Progress of the legal procedure is monitored by the Asset Administration Department, and is sometimes quoted by asset managers (AMs) in charge of the account in the borrower negotiation process. When contact with the borrower is not practical, the borrower is often referred to Skip Tracer Team in CAS for further investigation.

■ Servicing – Loan Collection and Loss Mitigation

The present portfolio manager, who is in charge of the overall portfolio management, has more than 13 years of related industry experience, and has worked for CAS from its beginning.

The portfolio manager is primarily responsible for all collection efforts and asset administrations in CAS. Fitch believes that the portfolio manager's responsibility of coordinating various department activities has been key to the efficiency of servicing operations at CAS.

Servicing functions are performed by three key departments – the Asset Management Department, the Asset Administration Department and the Marketing and Sales Department, detailed as follows:

Loan Collection – Asset Management Department

The main objective of the Asset Management Department is to achieve the loan collection target. This department consists of 10 employees, including the department head, seven AMs, a skip tracer, and an administrator. AMs have seven to 18 years of experience in credit and non-performing loan workout. The department head has 15 years of experience in a relevant industry, which includes investment banking.

To ensure equitable distribution across the team, the department head will allocate loans to AMs using various criteria, including status of loans (i.e. whether borrowers have made offers), status of borrowers (contactable or non-contactable), status of litigation (pre-judgement or post-judgement) and geographical distribution.

After loan allocation, each AM will review the credit file and conduct an asset analysis in order to prepare a business plan for each required loan. Based on the

approved business plan, each AM negotiates with borrowers and/or their guarantors for resolution, which typically includes pay-off, discounted pay-offs (DPO), restructuring, loan sale and/or deed-in lieu. Once the resolution is reached, each AM continues to be responsible for delinquency monitoring to ensure that borrowers perform according to the resolution plan. AMs at CAS make contact with the borrowers per the prescribed timing, as stated in the contact guidelines. CAS usually reshuffles assigned portfolios between AMs every six months in order to refresh collection techniques and ensure an equivalent workload. As of January 2007, each AM was responsible for about 370 residential loans.

Each AM's performance is monitored monthly by the department head through a SCORE communication log, including a review of borrower contacts. Typically, a weekly team meeting is held to share ideas, problems and solutions.

For most borrowers, CAS conducts litigation in parallel with negotiation for settlements. In this way, CAS can apply pressure to the borrower in its negotiation process - from continuing litigation - if it so chooses. The litigation process can be put on hold only when approved by the asset administration department head, portfolio manager or managing director. Litigation for auction sales typically takes four years or more to complete.

Loss Mitigation – Asset Administration Department

The Asset Administration Department (consisting of eight staff) monitors and directs the litigation and deficiency claims collection proceedings. The value and liquidity of each REO properties in the servicing assets is periodically checked by the Valuation & Property Inspection Department, based on a site inspection, third-party appraisal reports or other supporting documents. Exit strategies and the amount and timing included in approved business plans are uploaded and monitored in SCORE.

The Asset Administration Department is in charge of coordinating legal procedures. It also attempts to maintain a good flow of information between AMs and lawyers to avoid unnecessary friction. Foreclosure processes are directly handled by external lawyers from 11 contracted law firms, and the Asset Administration Department monitors their activities to ensure swift and smooth resolution. The Asset Management and Asset Administration Departments compete with each other to maximise investor returns.

Loss Mitigation -- Marketing and Sales Department

The Marketing and Sales Department consists of 11 staff, responsible for managing property maintenance and marketing, conducting in-house sales, and overseeing broker performance. CAS has a team dedicated to the sale of REO properties. The team is active in coordinating marketing efforts for auction sales and REO sales. The department provides information, including data on the properties on sale and marketing events, to the prospective customers through its custom-built marketing system, Property Choice.

Other marketing efforts range widely; from coordinating with the Execution Office to arrange simultaneous bidding opportunities for multiple foreclosed properties (batch auctions) for the buyers' convenience, to in-house sales activities, including exhibition events, signboards and mobile unit sales.

CAS also has a network of real estate brokers and agents through which it markets the REO properties for sale, when additional marketing exposure is desired.

Other Loss Mitigations

CAS has established a programme under which external agents (managing brokers) inspect occupied and unoccupied properties. Inspection reports prepared by managing brokers include their findings and suggestions which are important factors to be considered in adjusting valuations for the properties. These external agents also undertake measures necessary to preserve property value.

CAS conducts asset searches for all major deficiency claims and attempts to collect from the located assets. After a period of collection efforts, it considers assigning such claims to outside collection agents for different approaches. Following this process, some claims are assigned back to the servicer for future loan sale or write-off.

The writing-off of receivables is rare within the CAS portfolio - to date only forty loans have been approved to be written-off. The company maintains write-off criteria in place for various types of write-off cases.

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