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Crystal River Capital, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions). We'll go first to Jim Shanahan with Wachovia.

Jim Shanahan – Wachovia

Thank you, good afternoon. What is the current cost basis and carrying value after associated reserves for the Portland loan?

Craig Laurie

Sure. This is Craig, Jim. The current value actually is $4.4 million, this quarter is $2.7 million.

Jim Shanahan – Wachovia

I am sorry. So what is the total reserve that you're holding against that loan now, I don't have the number?

Craig Laurie

That's around – I mean it's $14.9 million to $2.7 million.

Jim Shanahan – Wachovia

Okay, thank you. And then I guess a general question, I think it was back in end May after the first quarter call. There was some commentary originally about what's the long term strategy was for the business, and I think a lot of that was under review. Are you prepared to comment at this point about what you think that you can do about the stock price, what your interest is, and either growing equity capital base, retiring shares, growing the portfolio, anything generally about what you the company might look like in six months or twelve months?

Bill Powell

It's Bill. Yes, I'd say that strategy for the company, we remain being extremely focused on strengthening its financial position, and our plan on that is reducing our short-term liability and actively managing the each and every one of our assets to maximize the cash flow. And we think in a market like this that by staying focused on these very discreet goals and objectives that shareholder value will be best served in the long run (inaudible).

Craig Laurie

The original book value is 14.6 with a reserve of 11.9 to get to the 2.7.

Jim Shanahan – Wachovia

2.7. Okay, thanks. Okay. I guess the follow question then, the strategy is to manage assets to maximize cash flow and continue to reduce liabilities. What are potential pit falls there, what are the potential covenants that could be the violated, that would say lead to a liquidation event of certain assets, and how is the company's positioned relative to covenants and CDO triggers, et cetera?

Bill Powell

I'll answer that two ways. The first way would be in regards to the CDO and I think as we talked about before, we have two CDOs, 2005 CDO and the 2006 CDO. The 2005 CDO has triggers that require – there's a trigger for failure for cash flow and it would otherwise go to the subordinate classes of the CDO, the classes that Crystal River owns. That cash flow gets diverted to pay senior liabilities of the CDO. And as we talked about in the second quarter conference call, we are failing some of those triggers, and there is cash flow that is being diverted to delever the CDO. We do not have the risk of a catastrophic failure of the CDO that would require a selling of those securities into the marketplace as others have and people have seen in the market. About the 2006 CDO, we do not have any triggers. It is structured as a static ReREMIC and it simply flows through the cash flow.