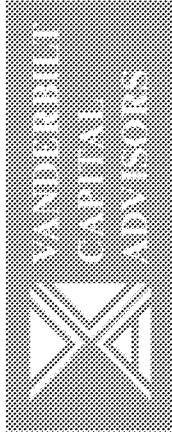
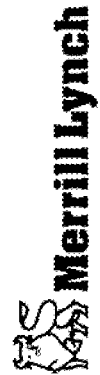


Lakeside CDO II, Ltd.

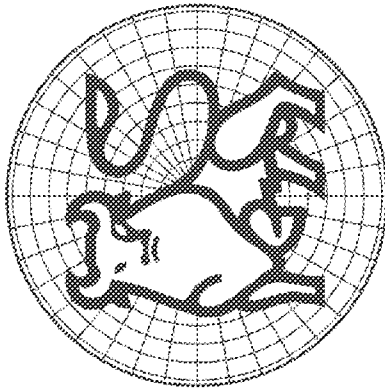
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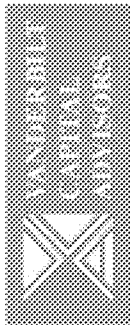
March 2004



Global Markets & Investment Banking Group



CONFIDENTIAL



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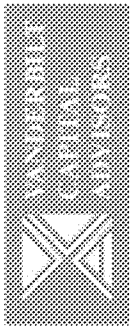
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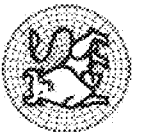
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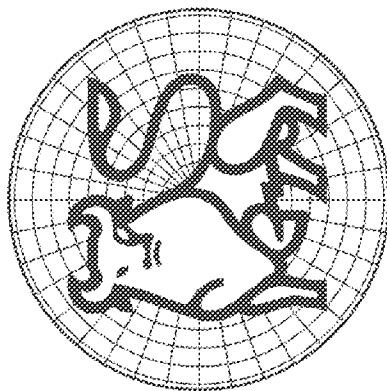
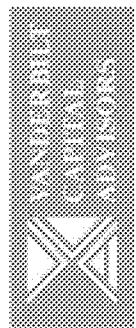


Vanderbilt Capital Advisors

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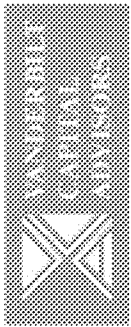
1. Transaction Summary
2. Asset Class Selection
 - A. Structured Finance Market Overview
 - B. Lakeside CDO II Portfolio
3. Transaction Highlights
4. Risk Factors
5. About the Collateral Manager
6. Tax Considerations





1. Transaction Summary

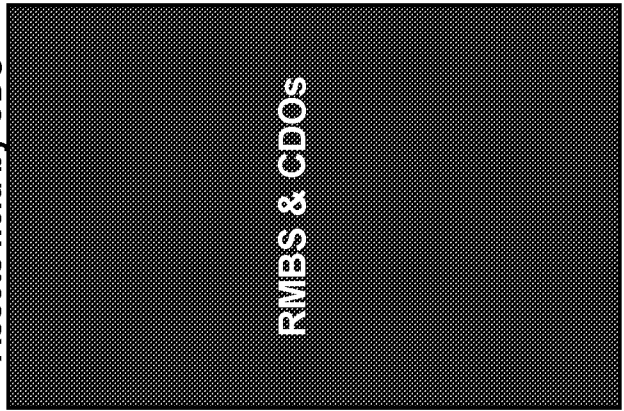




Transaction Summary

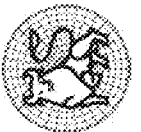
- Lakeside CDO II plans to issue \$[1,501.5] MM ABS CDO securities (the “Offered Securities”) backed by structured finance securities. Lakeside CDO II is a newly formed collateralized debt obligation (“CDO”) that will be managed by Vanderbilt Capital Advisors, LLC (“Vanderbilt” or the “Collateral Manager”).
- The Offered Securities will be backed by Aaa, Aa, and A rated CDO and ABS Securities – primarily Residential Mortgage Backed Securities (“RMBS”), and Collateralized Debt Obligations (“CDOs”).
- Structured Finance Securities (“ABS and RMBS”) have historically exhibited lower default rates, higher recovery rates upon default and better stability when compared to corporate bonds with similar ratings⁽¹⁾.

Assets held by CDO

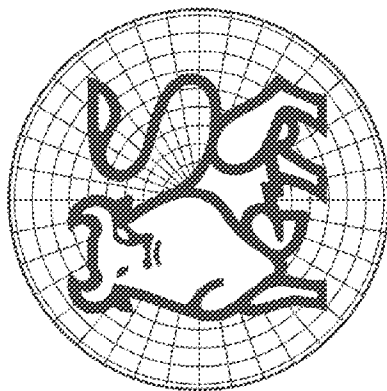
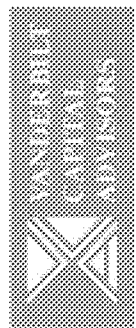


Securities issued by CDO

\$11.5]MM Class A1 (Aaa) (S&P/Fitch)
\$[279.6]MM Class A2 (Aaa) (Aaa) (Moody's S&P/Fitch)
\$[1]MM Class B (A+) (A) (Moody's S&P/Fitch)
\$[15]MM Class C (Baa2) (BBB) (Moody's S&P/Fitch)
\$[21.6]MM Preference Shares

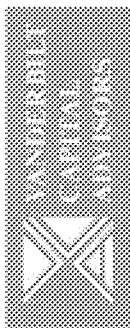
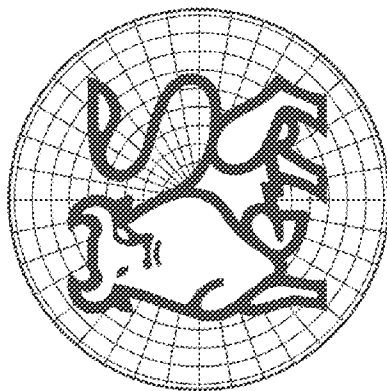


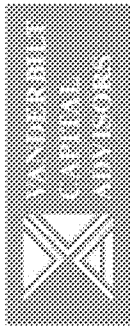
⁽¹⁾ See Structured Finance Market Overview Section



2. Asset Class Selection

A. Structured Finance Market Overview



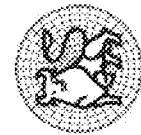
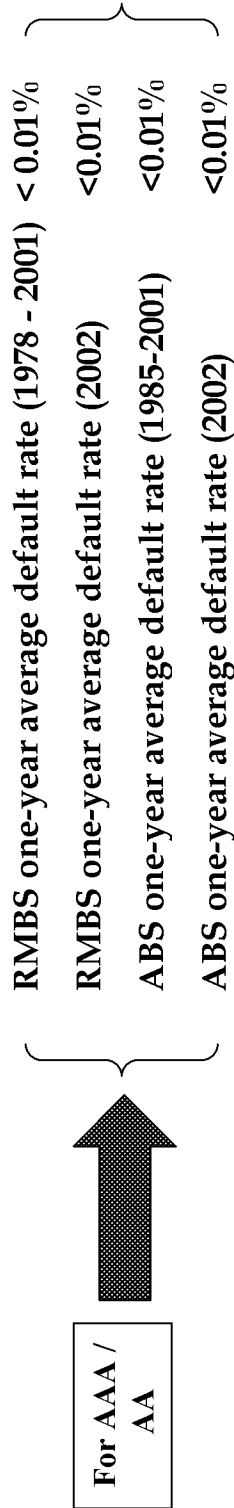


Structured Finance Market Overview

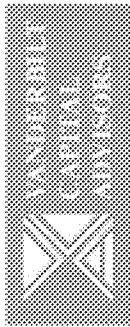
Historical Defaults⁽¹⁾⁽²⁾

- According to Fitch, Structured Finance Securities experienced lower default rates compared to corporate bonds.⁽³⁾

S&P default data shows that, historically, very few AAA and AA RMBS and ABS securities have defaulted



(1) Source: Standard and Poor's, "Rating Transitions 2002: US ABS Weather a Turbulent Year", January 31, 2003.
 (2) Source: Standard and Poor's, "Rating Transitions 2002: A Quarter Century of Outstanding Credit", February 6, 2003
 (3) Source: Fitch, "Structured Finance Rating Transition Study, May 2002."



Structured Finance Market Overview

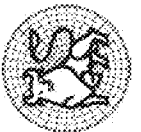
Historical Recovery Rates of ABS and RMBS ⁽¹⁾

- An S&P study on recovery rates of ABS and RMBS collateral consists of (referred to as "Structured Finance Securities") has concluded the following:
 - Structured Finance Securities have historically had an average recovery rate of 62%. ⁽¹⁾
 - Unlike corporate securities, Structured Finance Securities may receive more cashflow in respect of interest and principal after a default.
 - Historically, RMBS have recovered at more than 1.5X the rate of corporate bonds.

Average Recoveries of Defaulted RMBS **60%**

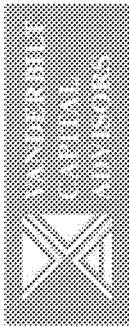
Average Recoveries of Defaulted Other ABS **45%**

In contrast, the average recovery rate for corporate bonds from 1982-2002 is approximately 37%⁽²⁾.



(1) Source: Standard and Poor's, "Recoveries of Defaulted U.S. Structured Finance Securities", September 12, 2002. Note that this number excludes instances of credit card charge-offs due to fraud.

(2) Source: Moody's Investors Service, "Default & Recovery Rate of Corporate Bond Issuers", February 2003. Recovery rate is measured on an issue-weighted basis.



Structured Finance Market Overview (1)

Low Ratings Volatility(2)

- Ratings volatility in the structured finance market has historically been relatively low in comparison to corporates.

Moody's Structured Finance Rating Transitions 1983-2002 (1)

FROM:	TO:						% Downgraded
	Aaa	Aa	A	Baa	Ba	B	
Aaa	98.90%	0.89%	0.13%	0.04%	0.00%	0.00%	1.09%
Aa	5.45%	91.46%	2.28%	0.63%	0.09%	0.03%	3.09%
A	1.13%	2.74%	93.54%	1.82%	0.52%	0.07%	2.59%
Baa	0.53%	0.65%	2.25%	90.40%	3.83%	1.26%	6.17%
Ba	0.14%	0.06%	0.78%	3.99%	86.33%	3.24%	8.70%
B	0.00%	0.06%	0.06%	0.46%	0.85%	88.95%	9.62%
Caa or below	0.00%	0.00%	0.00%	0.00%	0.17%	0.34%	99.49%

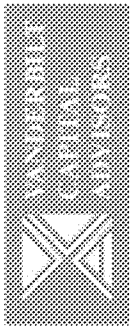
Moody's Corporate Rating Transitions 1983-2002 (1)

FROM:	TO:						% Downgraded
	Aaa	Aa	A	Baa	Ba	B	
Aaa	89.83%	9.17%	1.00%	0.00%	0.00%	0.00%	10.17%
Aa	0.79%	89.66%	9.04%	0.37%	0.09%	0.02%	9.55%
A	0.05%	2.53%	90.68%	5.77%	0.70%	0.22%	6.73%
Baa	0.05%	0.28%	5.94%	86.95%	5.25%	1.12%	6.78%
Ba	0.01%	0.04%	0.61%	5.50%	82.59%	9.01%	11.24%
B	0.01%	0.06%	0.23%	0.61%	6.19%	81.22%	11.68%
Caa or below	0.00%	0.00%	0.00%	1.01%	2.57%	6.53%	89.88%

(1) Certain of the information contained has been obtained from third party sources and neither Merrill Lynch nor any of its affiliates makes any representation or warranty, express or implied as to the accuracy or the completeness of such information. Certain of the information is presented in summary form. Potential investors are urged to conduct their own investigation regarding the underlying asset class including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral. The data discussed in this Overview relates only to historical investment performance. Future investment performance may vary. See "Important Notice".

(2) Source: "Structured Finance Rating Transitions: 1983-2002", Moody's Investors Service, January 2003.





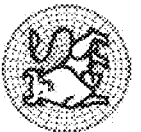
Structured Finance Market Overview

Relatively Stable Ratings⁽¹⁾

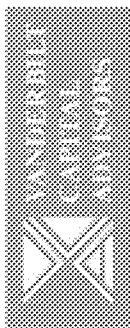
- According to a Moody's study, with the exception of CDOs predominantly backed by high yield corporates, ratings stability was found to be similar across different structured finance sectors.
 - RMBS and CMBS securities have higher upgrade frequencies than downgrade frequencies.
 - Corporate bonds have had more than twice as many downgrades as upgrades.

Annual Downgrade, Upgrade and Rating Unchanged Frequencies in the Structured Finance Sectors (Broad-Rating Based)

	Downgrade Rate	Upgrade Rate	Unchanged Rate	Withdrawn Rate	Downgrade/Upgrade Ratio
ABS, 1991-2002	2.95%	1.27%	86.59%	9.19%	2.3
CDOs, 1991-2002*	10.88%	0.57%	83.35%	5.20%	19.0
CMBS, 1991-2002	1.57%	3.49%	88.72%	6.22%	0.4
RMBS, 1991-2002	1.88%	3.61%	89.18%	5.34%	0.5
All structured, 1983-2002	2.99%	2.52%	87.66%	6.84%	1.2
All corporates, 1983-2002	8.88%	3.90%	81.49%	5.73%	2.3



(1) Source: "Structured Finance Rating Transitions: 1983-2002", Moody's Investors Service, January 2003.
 * Predominantly backed by high yield corporate bonds.
 Past Performance does not always predict future results



Structured Finance Market Overview

RMBS Overview ⁽¹⁾

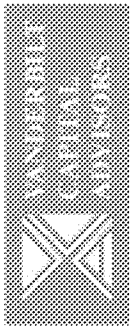
- Based on a Moody's study, Aaa and Aa-rated securities in the RMBS sector were found to have more stable ratings than those in the non-mortgage ABS and CDO sectors⁽²⁾
- On average, 99.34% of Aaa-rated RMBS collateral maintained its rating each year and 97.88% of Aa-rated RMBS collateral maintained or improved its rating each year

Weighted Average Annual Transition Matrices in the RMBS Sector, 1991-2002

FROM:	TO:										% Upgraded	% Downgraded
	Aaa	Aa	A	Baa	Ba	B	Caa or below					
Aaa	99.34%	0.49%	0.14%	0.03%	0.00%	0.00%	0.00%	0.00%			N/A	0.66%
Aa	8.03%	89.85%	1.70%	0.43%	0.00%	0.00%	0.00%	0.00%			8.03%	2.13%
A	2.07%	4.28%	91.06%	2.15%	0.21%	0.03%	0.21%	0.21%			6.35%	2.60%
Baa	0.67%	0.76%	3.37%	91.58%	1.88%	0.85%	0.88%	0.88%			4.80%	3.61%
Ba	0.21%	0.07%	1.41%	4.08%	90.01%	1.76%	2.46%	2.46%			5.77%	4.22%
B	0.00%	0.14%	0.00%	0.42%	0.56%	92.31%	6.57%	6.57%			1.12%	6.57%
Caa or below	0.00%	0.00%	0.00%	0.00%	0.28%	0.00%	99.72%	99.72%			0.28%	



(1) Source: "Structured Finance Rating Transitions: 1983-2002", Moody's Investors Service, January 2003.
 (2) See "Low Ratings Volatility" slide in the Structured Finance Market Overview Section

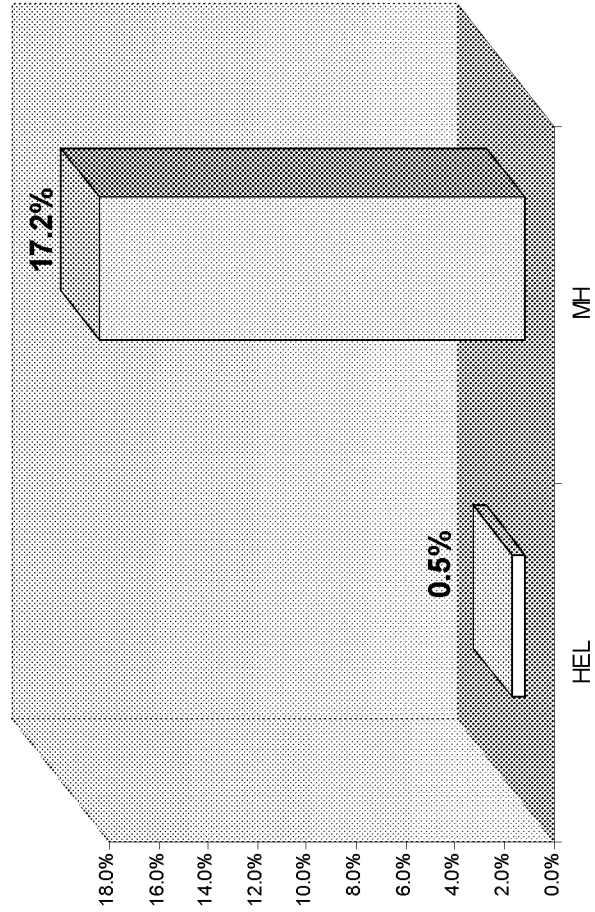


Structured Finance Market Overview

RMBS Overview ⁽¹⁾

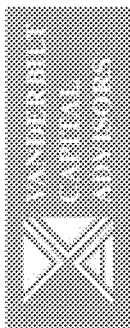
- The following chart compares the total percentage of downgrades (as a % of \$ issuance) between the Home Equity Loan (“HEL”) and Manufactured Housing (“MH”) sectors since 1993.
- Lakeside CDO II portfolio has no Manufactured Housing

HEL vs. MH Downgrades



(1) Source: Merrill Lynch Research.





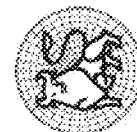
Structured Finance Market Overview

ABS Overview (1)

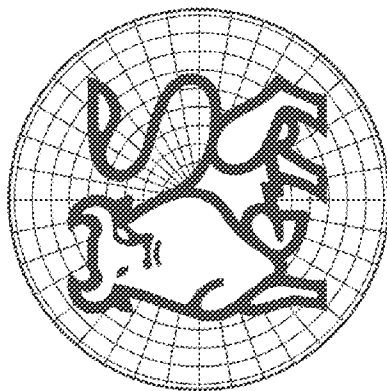
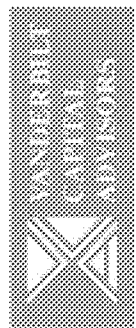
- According to a study conducted by Moody's, ABS has experienced relatively high rating stability for Aaa and Aa-rated tranches. On average, 99.05% of Aaa-rated ABS collateral maintained its rating each year and 97.19% of Aa-rated ABS collateral maintained or improved its rating each year

Weighted Average Annual Transition Matrices in the ABS Sector, 1991-2002

FROM:	TO:							% Upgraded	% Downgraded
	Aaa	Aa	A	Baa	Ba	B	Caa or below		
Aaa	99.05%	0.82%	0.04%	0.01%	0.00%	0.00%	0.08%	N/A	0.95%
Aa	2.57%	94.62%	1.82%	0.67%	0.08%	0.00%	0.24%	2.57%	2.81%
A	0.63%	1.07%	96.34%	1.15%	0.63%	0.08%	0.10%	1.70%	1.96%
Baa	0.59%	0.46%	0.97%	89.59%	6.47%	1.22%	0.71%	2.02%	8.40%
Ba	0.28%	0.14%	0.42%	7.45%	74.40%	5.63%	11.67%	8.29%	17.30%
B	0.00%	0.00%	0.00%	0.60%	0.00%	76.65%	22.75%	0.60%	22.75%

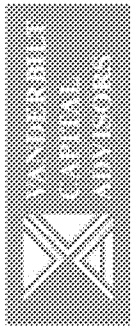


(1) Source: "Structured Finance Rating Transitions: 1983-2002", Moody's Investors Service, January 2003.



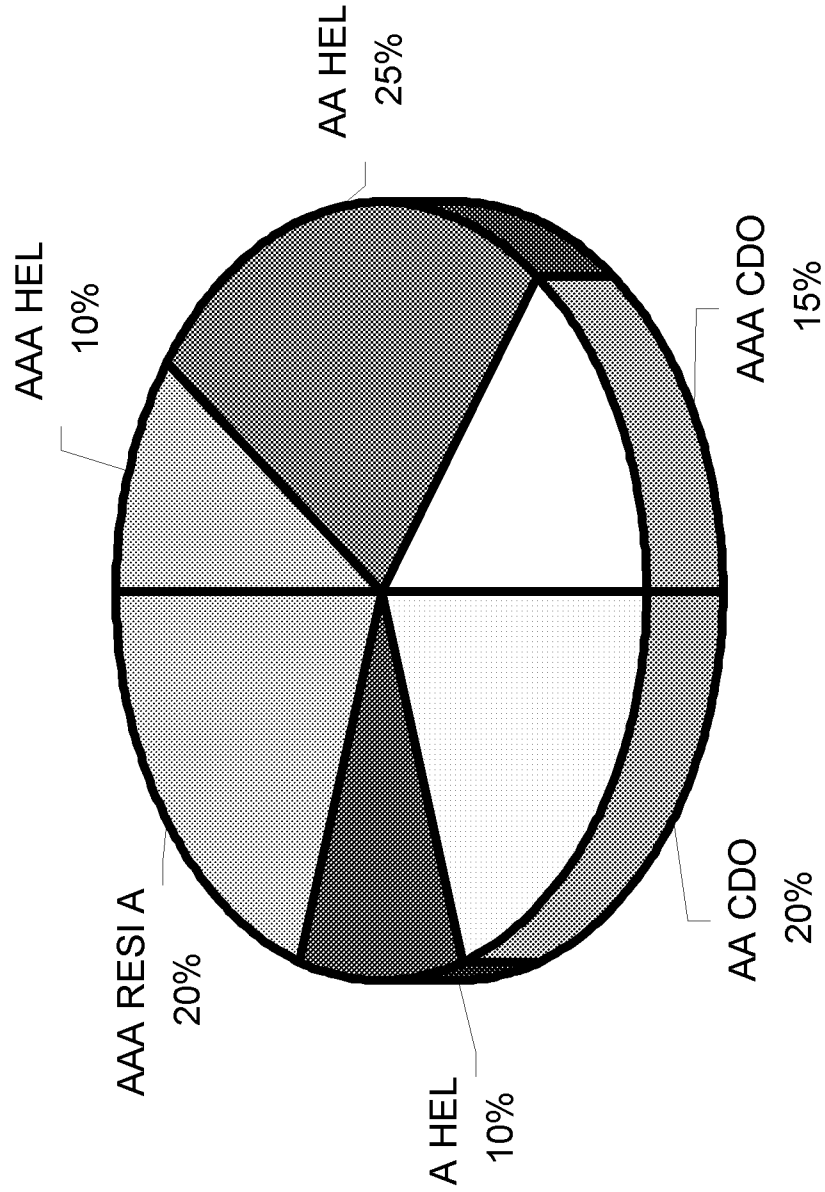
B. Lakeside CDO II Portfolio





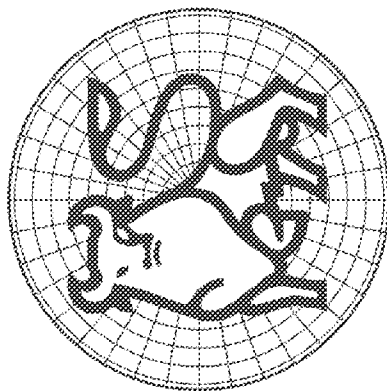
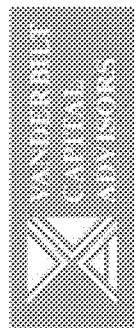
Lakeside CDO II Portfolio Portfolio Assumptions

Representative Portfolio ⁽¹⁾



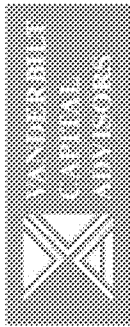
⁽¹⁾ All information shown in these materials is for illustrative purposes only. The actual structure of a final transaction, including the composition of the collateral to be acquired, will be determined at or around the time of pricing of the Notes based upon market conditions and other factors applicable at that time.





3. Transaction Highlights





Transaction Highlights⁽³⁾⁽⁴⁾

Summary of Terms

Type ABS CDO Cash Flow Transaction
Issuer Lakeside CDO II, Ltd.
Manager Vanderbilt Capital Advisors, LLC
Total Size \$[1,501.5]MM

	CLASS A1 NOTES ⁽¹⁾	CLASS A2 NOTES ⁽¹⁾	CLASS B NOTES ⁽¹⁾	CLASS C NOTES ⁽¹⁾	PREFERRED SHARES ⁽¹⁾
Principal	\$[1,170,000,000]	\$[279,900,000]	\$[15,000,000]	\$[15,000,000]	\$[21,600,000]
Percentage	[78.0]%	[18.7]%	[1.0]%	[1.0]%	[1.3]%
Coupon Type	[Floating]	[Floating]	[Floating]	[Floating]	Residual
Expected Rating	[Aaa/AAA/AAA]	[Aaa/AAA]	[A3/ A-]	[Baa2/ /BBB]	Not Rated
Rating Agency	(Moody's/S&P/Fitch)	(Moody's/S&P/Fitch)	(Moody's/S&P/Fitch)	(Moody's/S&P/Fitch)	N/A
Average Life ⁽²⁾	[5.6] yrs.	[8.0] yrs.	[8.0] yrs.	[7.4] yrs.	N/A
Stated Maturity	[2039]	[2039]	[2039]	[2039]	[2039]
Denomination	[\$500,000 minimum] [\$1,000 increments]	[\$500,000 minimum] [\$1,000 increments]	[\$500,000 minimum] [\$1,000 increments]	[\$500,000 minimum] [\$1,000 increments]	[\$500,000 minimum] [\$1,000 increments]

Anticipated Closing Date: [March] 2004

Coupon Payment Dates: Quarterly, beginning in [June] 2004

Static Pool Transaction: At least [25]% of the portfolio will be ramped-up by closing

Non Call Period: [3] years (thereafter, all of the Notes and Preferred Shares may be called by a majority vote of the Preferred Shares)

Reinvestment Period: None. Immediate principal amortization

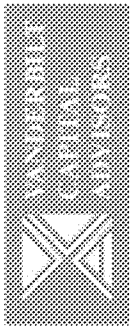
Trading: No discretionary trading; Manager can sell Credit Risk Securities and proceeds are used to pay down the most senior tranche

Auction Call: [8] years

Equity Cap: Equity has a capped dividend yield of [15]% and the excess cash that would otherwise be paid to the equity is used to pay down the principal of the Class C Notes.



(1) Payments on the Notes and Preferred Shares will be made quarterly.
(2) Please see "Transaction Highlights - Structuring Assumptions" for a description of modeling assumptions.
(3) Definitions and other terms will be fully described in the Offering Circular
(4) Merrill Lynch may, but is under no obligation to make a market in the offered securities



Transaction Highlights

Break Even Default Rates ⁽¹⁾⁽²⁾⁽³⁾

Class Description (Moody's/S&P/Fitch)	Based on a Break in Yield ⁽⁴⁾		Based on 0% Yield	
	Annual Default Rate	Cumulative Gross Defaults	Annual Default Rate	Cumulative Gross Defaults
Class A-1 First Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[10.9]%	[47.7]%	[20.0]%	[68.5]%
Class A-2 Second Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[1.9]%	[10.6]%	[4.6]%	[24.1]%
Class B Third Priority Mezzanine Floating Rate Notes (A3/ /A-)	[1.4]%	[8.2]%	[1.6]%	[9.3]%
Class C Fourth Priority Mezzanine Floating Rate Notes (Baa2/ /BBB)	[1.0]%	[5.8]%	[1.3]%	[7.4]%

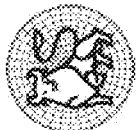
(1) Assumes no default lockout, 60% immediate recoveries and forward LIBOR

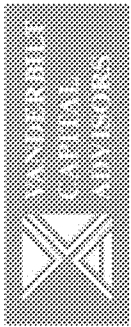
(2) Please see "Transaction Highlights - Structuring Assumptions" for a description of modeling assumptions.

(3) Definitions and other terms will be fully described in the offering circular

(4) Based on a first dollar loss

Note: All information shown in these materials is for illustrative purposes only. See Important Notice in the beginning of the materials





Transaction Highlights

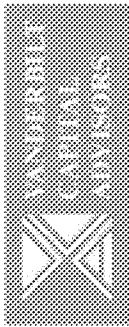
Break-Even Default Rate Comparison⁽¹⁾

- Merrill Lynch compared a hypothetical high yield CDO⁽²⁾ Aaa class and Baa2 class with the Lakeside CDO II⁽³⁾ Aaa class and Baa2 class to determine the break-even default rate at which losses would occur. These were then compared with the Moody's probability weighted default rate corresponding to the average rating of a Aa3 rated collateral pool.⁽⁵⁾

	Annual Default Rate Before Loss of Yield (50% Recovery)	Historical Annual Default Rate by Rating (10yr Cum. / 10) ⁽⁶⁾⁽⁷⁾	Break-Even Default / Historical
HY CBO Aaa Class	[15.00]%	B2 = 4.74%	[15.00]% / 4.74% = [3.17] times coverage
Lakeside CDO II First Priority Aaa Class	[7.30]%	Aa3 = 0.04%	[7.30]% / 0.04% = [182.50] times coverage = [57.57] times greater coverage ⁽⁴⁾
HY CBO Baa2 Class	[7.25]%	B2 = 4.74%	[7.25]% / 4.74% = [1.53] times coverage
Lakeside CDO II Baa2 Class	[0.65]%	Aa3 = 0.04%	[0.65]% / 0.04% = [16.25] times coverage = [10.62] times greater coverage ⁽⁴⁾

(1) Past performance is not an accurate indication of future performance
 (2) Hypothetical high yield CDO structure consists of AAA 70.5%, AA 8%, A 6%, BBB 3% and equity 12.5%.
 (3) Lakeside CDO II will be structured to have a rating score of [18] or better.
 (4) The existence of greater loss coverage does not eliminate the possibility of losses on the Offered Securities.
 (5) Please see "Transaction Highlights - Structuring Assumptions" for a description of modeling assumptions.
 (6) Annual default rates were assumed to be the 10 year cumulative corporate default rate divided by 10. (Source: Moody's, "Default and Recovery Rates of Corporate Bond Issuers", February 2003).
 (7) The Offered Securities have higher collateral quality, based on ratings, than the HY CBO.
 Note: All information shown in these materials is for illustrative purposes only. See Important Notice in the beginning of the materials





Transaction Highlights Structuring Assumptions⁽¹⁾

Collateral Assumptions ⁽¹⁾

Weighted Average Coupon	[5.00]%
Weighted Average Reset Margin	[0.79]%
Maximum % Fixed	[20]%
Maximum Weighted Average Rating ⁽¹⁾	[25] (Aa2/Aa3)
Diversity Score	>= [19]
Minimum Collateral Rating	[A3]
Weighted Average Life	[7.5] Years
Maximum Single Issuer Concentration	[2.0]%
Max. Amount of Collateral Obligations Rated Below Aaa	[55.0]%
Max. Amount of Collateral Obligations Rated "A1", "A2", "A3"	[10.0]%
Maximum CDOs	[50.0]%
Maximum Single Servicer Concentration	[7.5]%
Maximum Corporate CDOs/ Synthetics	[10.0]%

Coverage Tests

	Test Level ⁽²⁾	Initial ⁽³⁾
Class C Overcollateralization Test	[100.25]%	[101.36]%
Class C Interest Coverage Test	[104.75]%	[142.31]%

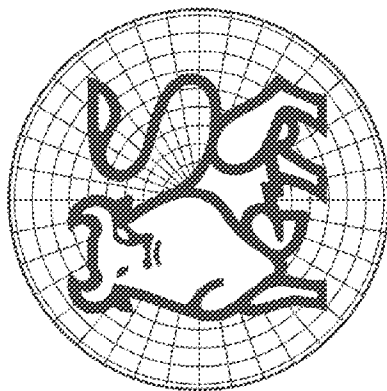
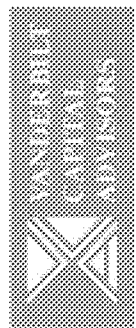
Annual Fees and Expenses ⁽¹⁾

Senior Management Fees	[10.0] bps
Subordinate Management Fees	[9.0] bps
Incentive Fee	[25]% of equity cashflows once an IRR of [15]% is achieved
Trustee and Admin Fees	[4.0] bps
Administrative Fee Cap	[\$350,000] yr

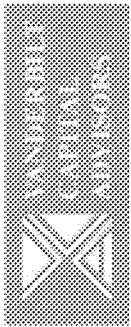
Closing Fees⁽⁴⁾

- (1) These assumptions are general and are not conclusive or exhaustive. Actual collateral characteristics may be different from those assumed and even if they are the same on a weighted average basis, the use of individual securities in the actual CDO structure may substantially change the results indicated.
- (2) Test Level represents the levels that must be passed in order not to cause accelerated redemption of the Notes.
- (3) Initial represents expected characteristics of target portfolio.
- (4) There will be certain up-front closing fees associated with this transaction including Merrill Lynch structuring and placement fees, legal, agency, and other fees.





4. Risk Factors



Risk Factors

An investment in the Securities described herein, if such offering is consummated, will involve certain risks. A detailed list of risk factors will be included in the Offering Circular (including the preliminary and final versions thereof). Set forth below is a summary description of certain of the risks to which an investor in the Securities would be subject. These summary risks will be described in greater detail in the Offering Circular (together with additional risks). An investor should not make any decision to invest in the Securities until after such investor has had an opportunity to read and review carefully the Offering Circular.

Limited Liquidity and Restrictions on Transfer. There is unlikely to be any secondary market for the Securities. The Securities will be subject to certain transfer restrictions and will only be transferable to certain permitted transferees to be identified in the Offering Circular. Consequently, an investor in the Securities must be prepared to hold for an indefinite period of time or until maturity or redemption.

Limited-Recourse Obligations. The Securities will be limited-recourse obligations, payable solely from an identified pool of assets. No recourse may be had to any person or entity other than to the issuer of the CDO in respect of such collateral in respect of payments or distributions on Securities.

Subordination. Principal of and interest on the notes, and distributions on the equity securities, to be issued by the CDO will be subject to payment in accordance with a priority of payments. Payments of principal and interest on the notes of each class (other than the most senior class then outstanding) will in most circumstances be subordinate to payment when due of principal of and interest on the notes of each more senior class. Remedies and certain consensual acts will generally be directed by the most senior class then outstanding (without regard to the interests of the holders of more subordinate classes). In addition, equity securities will be unsecured, distributions thereon will be subject to compliance with applicable corporate laws and such distributions will rank behind all of the creditors of the CDO, whether secured or unsecured and known or unknown, including any judgment creditors.

Volatility due to Leverage. Any investment in subordinate Securities will represent a leveraged investment. Utilization of leverage is a speculative investment technique and involves certain risks to investors, particularly to investors that bear the first risk of loss. The use of leverage generally magnifies opportunities for gain and risk of loss.

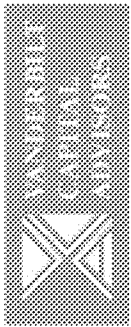
Redemption, Diversion of Cash. The Securities will be subject to redemption under certain circumstances described in the Offering Circular (including, under certain circumstances, upon the failure of certain financial coverage tests to be satisfied). Any such redemption may cause the economic return from an investment in the Securities to vary from the expected economic return. In addition, the failure to satisfy certain financial coverage tests could result in an elimination, deferral or reduction in the payments to be made to holders of one or more classes of notes or equity securities, which could adversely impact the economic return realized by such holders.

Average Life of the Securities. The average life of each class of Securities is expected to be shorter than the number of years until their stated maturity. Such average lives will be affected by numerous factors described in the Offering Circular.

Nature of Collateral. The collateral underlying the Offering Securities will consist primarily of securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period. Such underlying securities will be subject to credit, liquidity, interest rate, market, operations, fraud and structural risks. The underlying securities and certain risks arising from their ownership by the CDO issuer will be described in more detail in the Offering Circular.

Full disclosure of the Risk Factors can be found in the Offering Circular to be provided





Risk Factors

Reinvestment Risk. If reinvestment in additional Collateral after the closing of the sale of the Securities is completed, then CDO issuer will depend upon reinvestment rates and other market conditions in effect at the time of reinvestment (and whether available investment opportunities satisfy the requirements for purchase of additional Collateral).

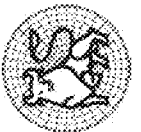
Certain Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall investment activities of Merrill Lynch, Pierce, Fenner & Smith Incorporated, any collateral manager or adviser retained by the CDO issuer and any other entity providing services to the CDO issuer (such as a hedge counterparty). These potential and actual conflicts of interests will be described generically in the Offering Circular and should be considered by any prospective investor in the Securities.

Relation to Prior Investment Results. Any prior investment results of any person or entity described herein will not be indicative of the CDO issuer's future investment results. Such results are intended only to give potential investors information concerning the general experience of the relevant person or entity as an asset manager or adviser and is not intended as a representation or warranty by Merrill Lynch or any other person or entity as to the actual composition or performance of any future investments that would be made by the CDO issuer. The nature of, and risks associated with, the CDO issuer's future investments may differ substantially from (and will be subject to constraints that were not applicable to) those investments and strategies undertaken historically by such persons and entities. There can be no assurance that the CDO issuer's investments will perform as well as, or in a manner similar to, the past investments of any such persons or entities.

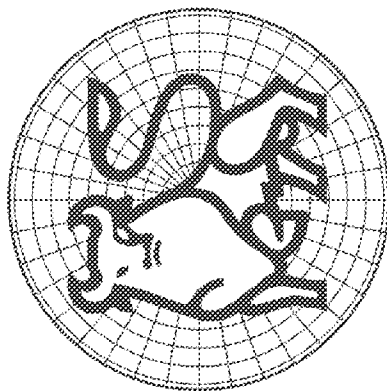
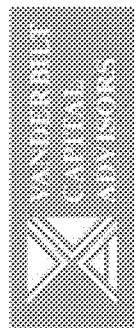
Projections, Forecasts and Estimates. Any projections, forecasts and estimates contained herein are forward looking statements and are based upon assumptions that are disclosed herein. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material.

Certain hypothetical performance analyses are based on assumptions that may prove to be incorrect. Prospective investors should understand those assumptions and evaluate whether they are appropriate for their purposes. Certain analyses are based on mathematical models that use hypothetical inputs to calculate results. As with all models, results may vary significantly depending upon the values of the inputs used. Models used in any analysis may be proprietary, making the results difficult for any third party to reproduce. Moreover, hypothetical performance analyses will address only certain aspects of the characteristics of the Securities and will not provide a complete assessment of the results that may follow from all possible contingencies (including default, interest rate and other scenarios and certain economic features of the Securities, including call features and cash flow diversion events). Prospective investors should consider whether the behavior of these securities should be tested based on assumptions different from those used to prepare these analyses.

Dependence on Certain Personnel. To the extent that the CDO issuer relies upon a collateral manager or adviser in analyzing, selecting, managing or selling any items of Collateral, the CDO issuer will depend on the financial and managerial experience of certain individuals associated with such manager or adviser. The termination of any managerial or advisory agreement, and the loss of one or more of these individuals, could have a material adverse effect on the performance of the CDO issuer.



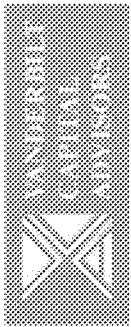
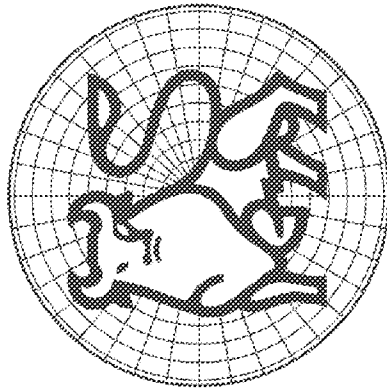
Full disclosure of the Risk Factors can be found in the Offering Circular to be provided

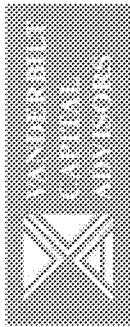


5. About the Collateral Manager



A. Introduction to Vanderbilt Capital Advisors





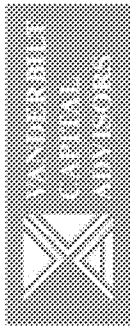
Introduction to Vanderbilt Capital Advisors, LLC (1)

- Vanderbilt Capital Advisors, LLC (“Vanderbilt” or the “Collateral Manager”), a Delaware limited liability company, with its principal office at 200 Park Avenue, New York, New York, 10166, will act as the collateral manager. Vanderbilt is registered as an investment adviser under the Investment Advisers Act of 1940.
- Vanderbilt manages in excess of \$3.80 billion in fixed income assets for over 50 institutional clients.
- Vanderbilt is a research-driven firm with longstanding experience in structured fixed income products and asset-backed securities.
 - The portfolio managers responsible for managing Lakeside CDO II have prior experience managing ABS CDOs
 - Vanderbilt has done three other ABS CDOs: Bristol CDO I, Grand Central CDO, and Lakeside CDO I

Vanderbilt Capital Advisors’ Lakeside CDO investment strategy is a natural outgrowth from the firm’s Short Duration Bond Management. Specifically, both investment products enjoy similar characteristics and constraints. Similar investment characteristics include: limited duration, very high average credit quality, well diversified portfolios, comparable sector exposures, and stable return profiles. Similar investment constraints include: detailed client guidelines, tailored portfolio requirements accommodated on an individual basis, and transparent client reporting. Overall, Vanderbilt’s CDO and Short Duration investment products are managed in a similar fashion and leverage Vanderbilt’s core competency in managing highly constrained investment grade fixed income portfolios.



(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004



Introduction to Vanderbilt Capital Advisors, LLC (1) Short Duration Bond Management

The primary objective of Vanderbilt Capital Advisors **Short Duration Bond Management** strategy is to provide above average returns, which over time lead to cumulative superior returns. Vanderbilt's research has indicated that yield is the primary source of return on a long term basis and that returns vary significantly among different sectors and individual issues. Therefore, Vanderbilt concentrates on identifying the best combination of yield and relative value within its duration parameters.

Vanderbilt employs a systematic, disciplined approach that encompasses three key decisions:

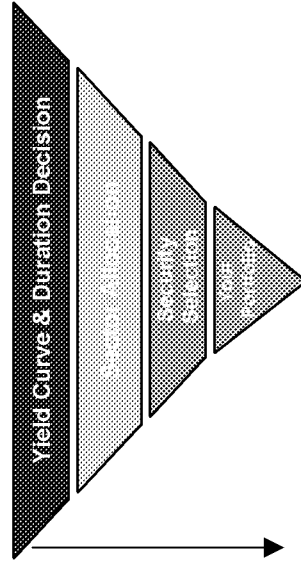
1. Limited duration.
2. Analyze the yield curve to discover pricing anomalies.
3. Implement trading strategies to add value.

Vanderbilt has determined that a limited duration is sufficient to provide both principal protection and competitive returns. Once the duration decision has been established, Vanderbilt determines the optimal positioning of assets along the yield curve. A regression model has been developed by Vanderbilt to highlight areas on the curve that are rich, cheap, and fairly valued. In addition, other quantitative methods are employed to support the results of their model. In particular, Vanderbilt analyzes the effect of the "roll" and we continuously monitor the trade-off between "bullets" and "barbells".

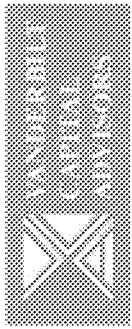
Vanderbilt's selection of sectors and securities is based on their ability to quantify value within a universe of bonds with very different characteristics. For sector selection, this quantification of relative value is identified by the analysis of the following two factors:

- **Yield Spreads** - a statistical test has been developed by Vanderbilt to ascertain values across sectors. Spreads are compared at similar points on an economic cycle.
- **Volatility Expectations** - Vanderbilt's research indicates that volatility is mean reverting. Vanderbilt generally purchases mortgages and callable corporates when volatility is high and expected to revert to a normal level.

Vanderbilt selects individual securities that reflect its sector decisions. Its credit analysis emphasizes cash flow, balance sheet structure and deviations in analysts' estimates from the mean. Its mortgage analysis evaluates securities under the assumption that cash flows are discounted by the full interest rate path instead of a single discount rate.



(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004

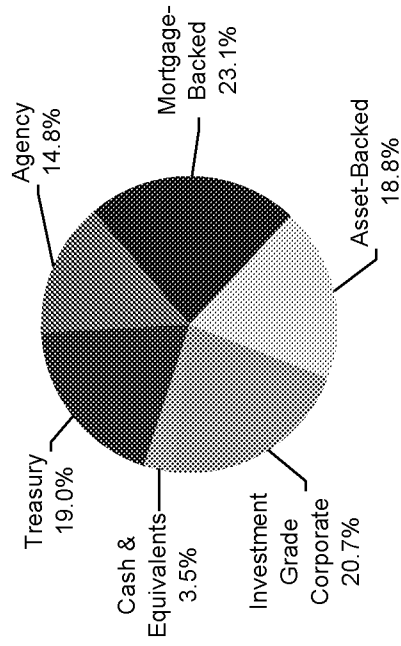


Introduction to Vanderbilt Capital Advisors, LLC (1) Short Duration Bond Management

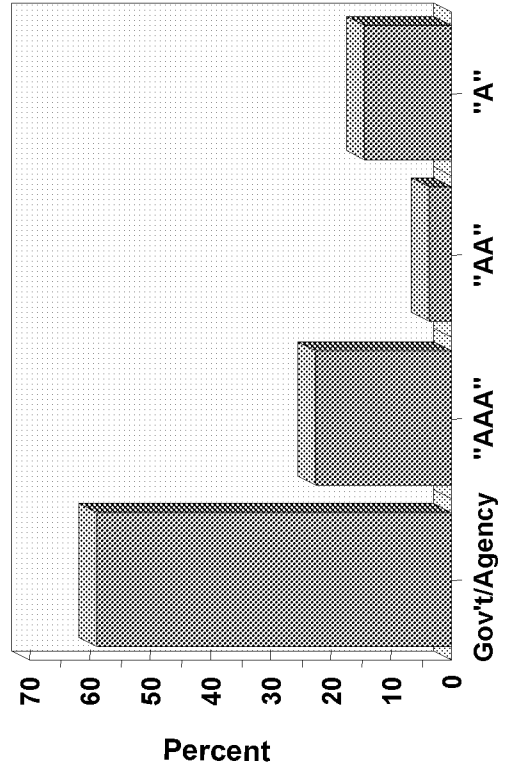
Product Characteristics

- ✓ **\$2.4 Billion Dollars Managed**
- ✓ **Cash Flow Rich**
- ✓ **Well Diversified**
- ✓ **40 to 50 issues held**
- ✓ **High Liquidity**
- ✓ **Stable Returns** (*Every annual return has been positive. 63 out of 64 quarters have been positive*)
- ✓ **Client Portfolios Separately Managed**
- ✓ **Client Guidelines/Requirements Accommodated**

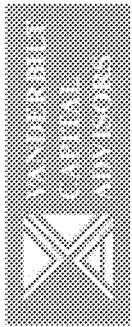
Product Sector Distribution



Product Quality Distribution

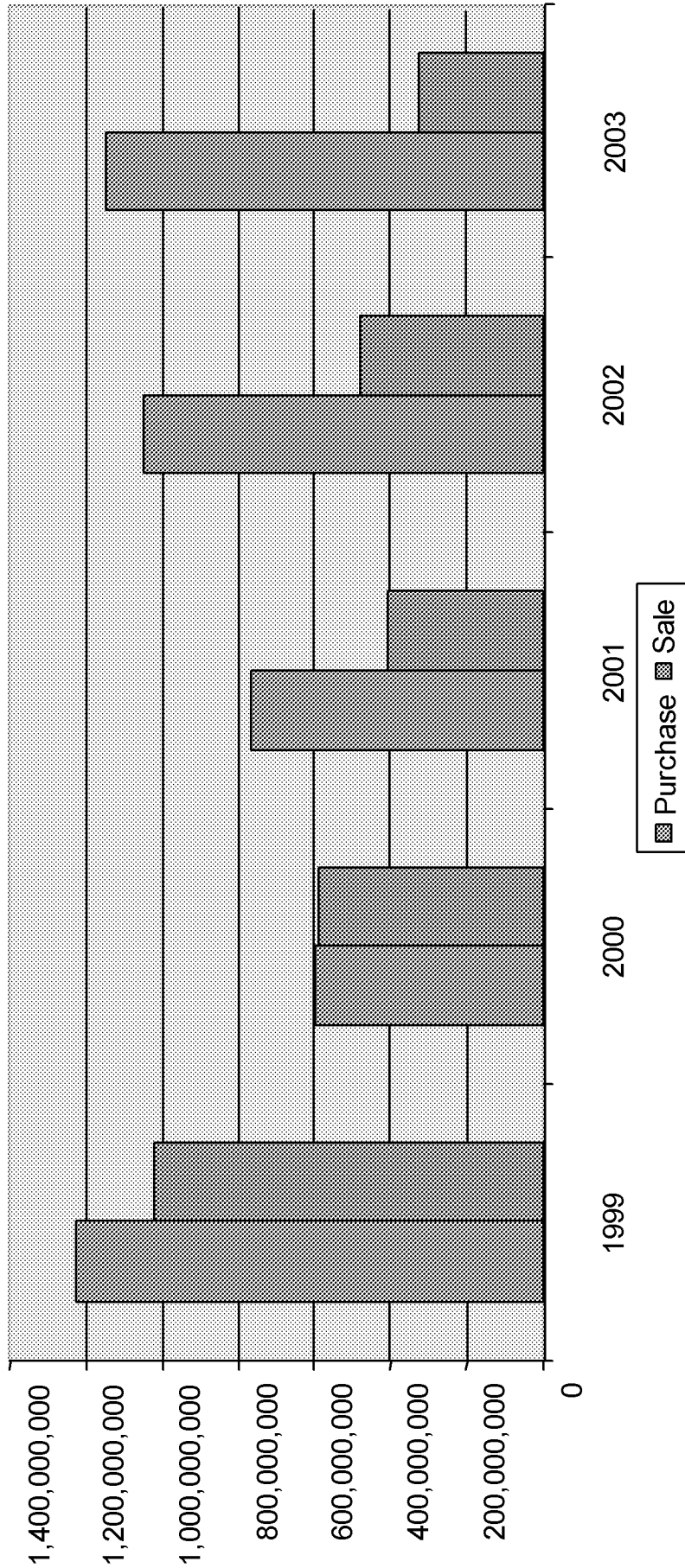


(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004



Introduction to Vanderbilt Capital Advisors, LLC (1) Asset-Backed Securities

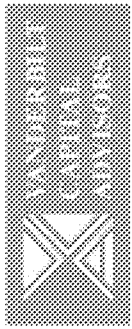
ABS Purchases and Sales 1999-2003



■ Over the past 5 years Vanderbilt Capital Advisors has traded over \$7 BN in ABS.

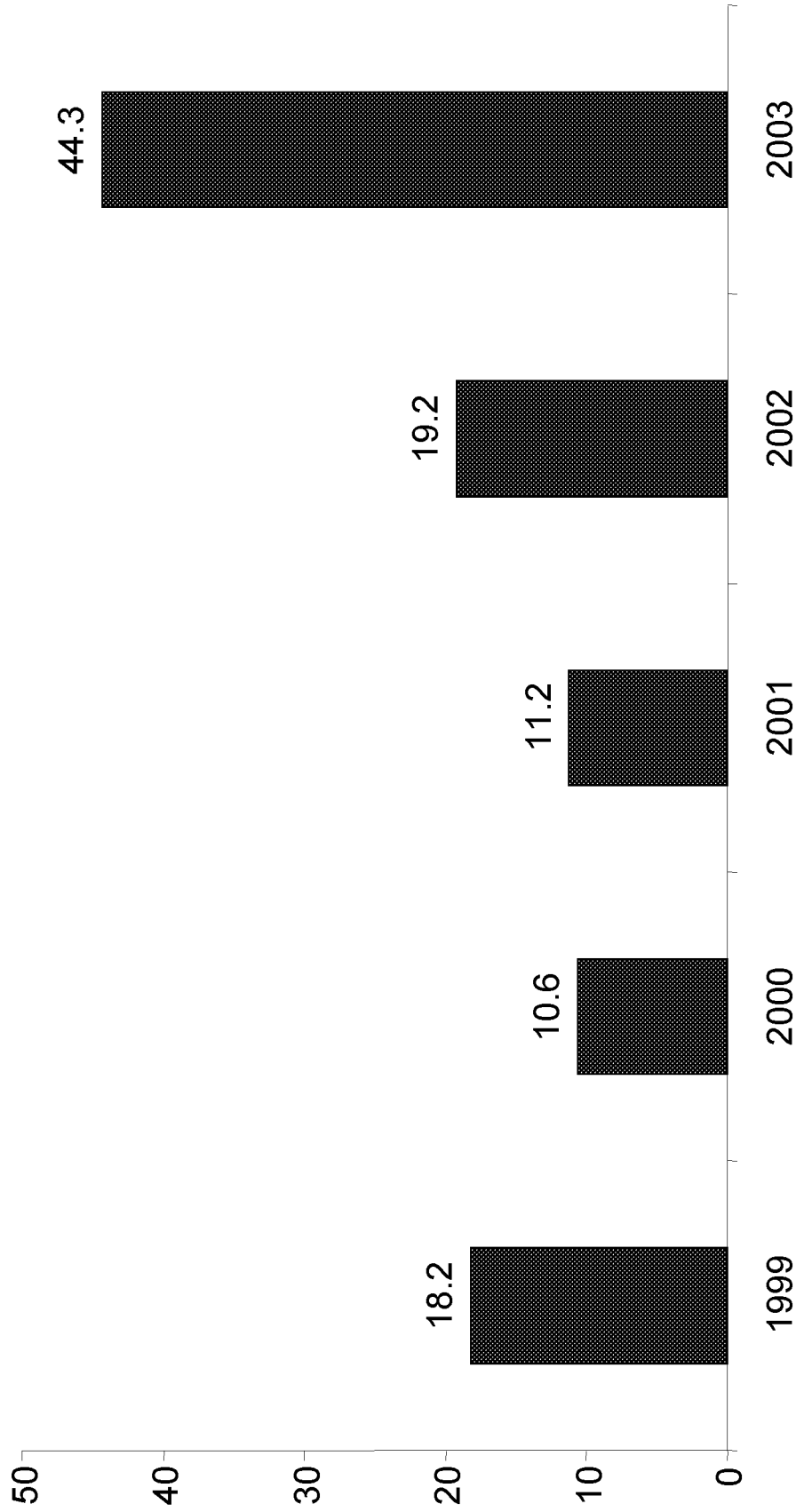


(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004



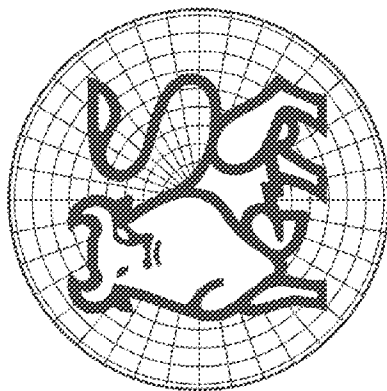
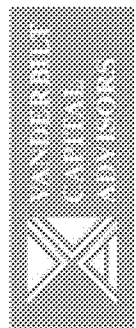
Introduction to Vanderbilt Capital Advisors, LLC (1) Asset-Backed Securities

Asset Backed Securities as a Percentage of the Assets Under Management

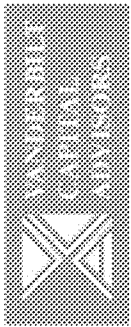


(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004





B. Research and Credit Process



Research and Credit Process⁽¹⁾ ABS Analysis

- Vanderbilt Capital Advisors employs an eight step process in the analysis of ABS:

Relative Value Assessment

- Price vs. Risks
- Price vs. Similar Assets

Market Analysis

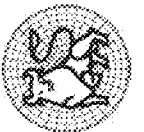
- Collateral Market Conditions & Trends
- Industry Considerations
- Legislative Changes

Understand Issuer

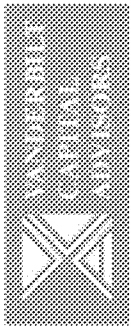
- Financial Strength
- Motivations Behind Financing
- Servicing Platform (technology, philosophy)

Understand Asset

- Asset Characteristics
- Asset's Credit History
- New or Established Asset Type



(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004



Research and Credit Process⁽¹⁾ ABS Analysis (cont'd)

Collateral Analysis

- Default & Delinquency History
- Loss Severities
- Issuer vs. Industry Comparison
- Collateral Characteristics (FICO, LTV, etc.)

Deal Structure

- Structural Credit Enhancements (subordination, excess spread)
- Cash Flow Waterfall (priority of payments)
- Liquidity Features (reserve fund)
- Mortgage Insurance

Parties to the Transaction

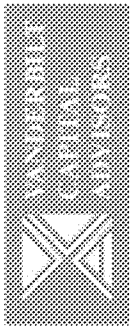
- Issuer/Servicer
- Investment Banker
- Trustee

Liquidity

- Availability of Cash Flow Modeling (Bloomberg, Intex)
- Availability of Performance Information



(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004



Research and Credit Process⁽¹⁾ CMBS Analysis

- The following is the analysis Vanderbilt Capital Advisors employs. This analysis varies in emphasis depending on the specific CMBS sector

	Alerts		
	Process	Conduit	Large Loan
General Loan & Property Characteristics			
LTV (Loan to Value)		>75%	>65%
DSCR (Debt Service Coverage Ratio)		<1.25	<1.4
Property Type Concentrations		>30%	N/A
Geographic Distribution		>20%	N/A
Borrower Profiles			
Prepayment Protection			

General Market Overlay

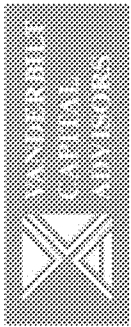
- Property Type Trends
- Construction Trends
- MSA Analysis
- Current Pricing

Structural Analysis

- Subordination
- Liquidation Expense Allocation
- Prepayment Penalty Allocation
- Cash Trapping Features



(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004



Research and Credit Process⁽¹⁾ CMBS Analysis (cont'd)

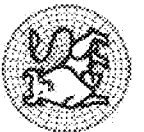
	Alerts		
	Process	Conduit	Large Loan
Specific Loan Analysis			
Other Debt		Junior	Junior
Occupancy and Occupancy History		<85%	<85%
Renovation History		>7yrs	>5yrs
Appraisal Report			
Property Owner or Sponsor			
Purpose of Loan			

Underwriter Analysis

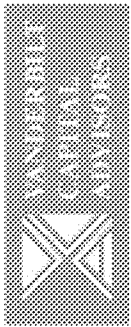
- Underwriting Process
- Default & Delinquency History

Special Servicer

- Workout Philosophy
- Loss Severities



⁽¹⁾ Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004



Research and Credit Process⁽¹⁾ RMBS Analysis

- Residential Mortgage Backed Securities Investment Process:

Macro Economic Factors

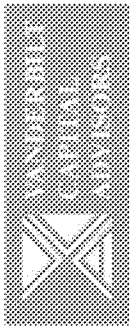
- Real Estate Market Trends
- Current Interest Rate Levels
- Expected Rate and Yield Curve Trends
- Rate Volatility
- Prepayment History and Expectations

Important Characteristics (loan level)

- Weighted Average Coupon (WAC)
- Weighted Average Maturity
- Seasoning
- Geographic concentration
- Loan concentration
- "Specials" - Alternative A, low WAC, low loan balance



(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004



Research and Credit Process⁽¹⁾ RMBS Analysis (cont'd)

Important Characteristics (bond level)

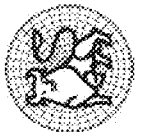
- Lockout
- Relative Position in Deal
- Principal payment window
- Principal protection (PAC bands, etc.)

Market/Value Considerations

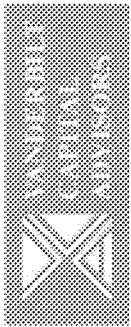
- Current Spreads vs. Treasuries & Swaps
- Historical Spreads vs. Treasuries & Swaps
- Option Adjusted Spread Analysis
- Coupon Spreads
- 30yr vs. 15yr (20yr, hybrid, etc)
- Intra-market Spreads (PAC vs. pass throughs, etc.)

Credit Considerations (for Private Label Deals)

- Weighted Avg. Loan to Value
- % Limited vs. Full Documentation
- % Owner Occupied
- Loan Rate Dispersion
- Avg. "FICO" score
- Avg. Loan Size
- Current (and original) Subordination %
- Loan Rate Premium vs. Agency at Issue



(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 1/2004



Research and Credit Process CDO Analysis

- The following is the analysis Vanderbilt Capital Advisors employs in selecting CDOs:

Deal Parameters

- CDO Type & Size
- Static or Reinvestment Period
- Pricing

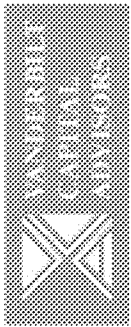
Manager Review

- CDO Experience
- Organization Staffing and Stability
- Past CDO Performance
- Equity Participation
- Analytics & Technology
- CDO Administration/Compliance
- Ownership/AUM/CDO UM

Collateral/Trigger Analysis

- Senior Overcollateralization
- Subordinate Overcollateralization
- Weighted Average Rating Factor (WARF)
- Diversity Score
- Obligor and Sector Concentrations
- Coupon
- Spread





Research and Credit Process CDO Analysis (cont'd)

Structure Default Analysis

- Equity Profile (IRR/CDR/REC)
- Cash Flow Waterfall Special Features
- Clean-Up / Auction Call Mechanism
- Early Redemption

Breakeven Default Analysis

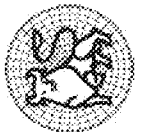
- Constant Default Rate
- Recovery Rate
- Cumulative Default Loss

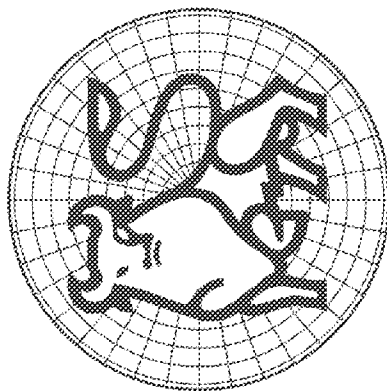
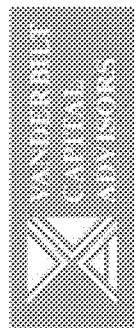
Documentation Review

- Hedge Agreements
- Manager Removal Requirements
- Amendment Procedure

Transaction Parties

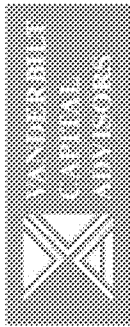
- Collateral Manager
- Underwriter
- Trustee
- Rating Agencies





C. Performance History

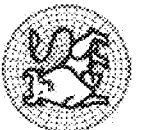


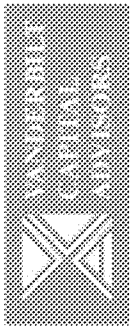


Performance History⁽¹⁾ Short Duration Bond Management Performance

Time Period	Vanderbilt Capital	3 Month LIBOR
2003	2.55	1.22
2002	4.55	1.79
2001	6.84	3.84
2000	7.90	6.92
1999	3.47	5.41
1998	7.37	5.96
1997	8.65	5.61
1996	6.28	5.61
1995	12.75	6.23
1994	2.63	4.66
1993	8.14	3.66
1992	6.43	4.40
1991	8.40	6.86
1990	9.07	7.84
1989	10.07	9.48
1988	7.49	7.42

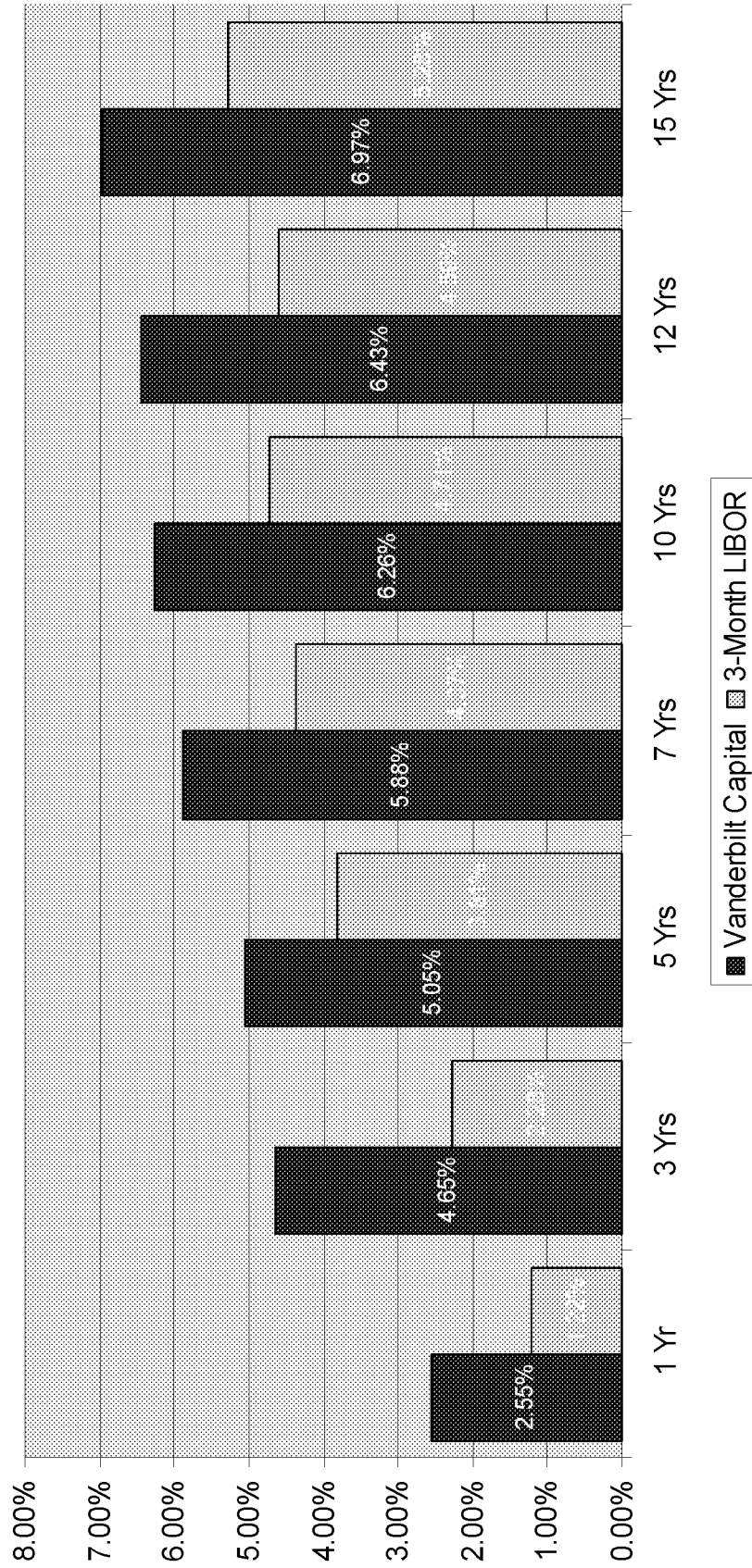
(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 2/2004



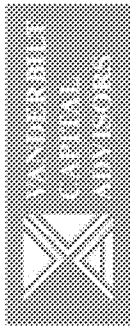


Performance History⁽¹⁾ Short Duration Bond Management Performance

Annualized for the Period Ending December 31, 2003



(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 2/2004



Performance History⁽¹⁾ Short Duration Bond Management Performance

Performance Statistics

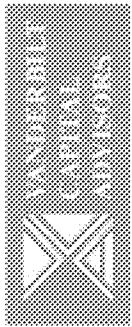
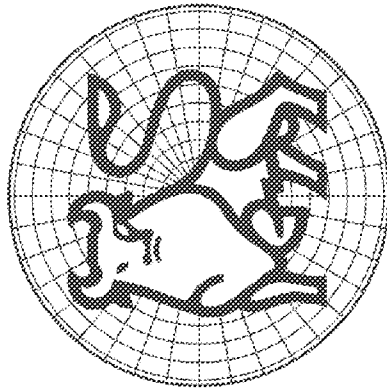
3-Year Period Ending 09/30/03	Vanderbilt Capital Advisors	Morningstar Money Market Median	3-Month LIBOR	5-Year Period Ending 09/30/03	Vanderbilt Capital Advisors	Morningstar Money Market Median	3-Month LIBOR
Annualized Compound Return	5.35%	1.54%	2.80%	Annualized Compound Return	4.97%	2.14%	4.07%
Alpha vs. Benchmark	2.61	-1.18	N/A	Alpha vs. Benchmark	2.43	-1.30	N/A
Sharpe Ratio	1.50	-2.17	0.01	Sharpe Ratio	0.83	-2.68	0.28%
# of Quarters/Down	0	0	0	# of Quarters/Down	0	0	0
# of Quarters/Up	12	12	12	# of Quarters/Up	20	20	20
Upside Capture Ratio vs. Benchmark	195%	56%	N/A	Upside Capture Ratio vs. Benchmark	125%	54%	N/A

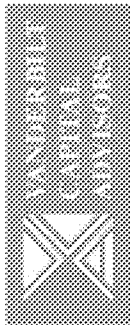
10-Year Period Ending 09/30/03	Vanderbilt Capital Advisors	Morningstar Money Market Median	3-Month LIBOR	15-Year Period Ending 09/30/03	Vanderbilt Capital Advisors	Morningstar Money Market Median	3-Month LIBOR
Annualized Compound Return	6.29%	2.58%	4.77%	Annualized Compound Return	7.09%	3.17%	5.37%
Alpha vs. Benchmark	3.25	-1.51	N/A	Alpha vs. Benchmark	3.28	-1.50	N/A
Sharpe Ratio	0.88	-3.76	0.42	Sharpe Ratio	1.03	-2.65	0.38
# of Quarters/Down	1	0	0	# of Quarters/Down	1	0	0
# of Quarters/Up	39	40	40	# of Quarters/Up	62	63	63
Upside Capture Ratio vs. Benchmark	134%	54%	N/A	Upside Capture Ratio vs. Benchmark	132%	59%	N/A



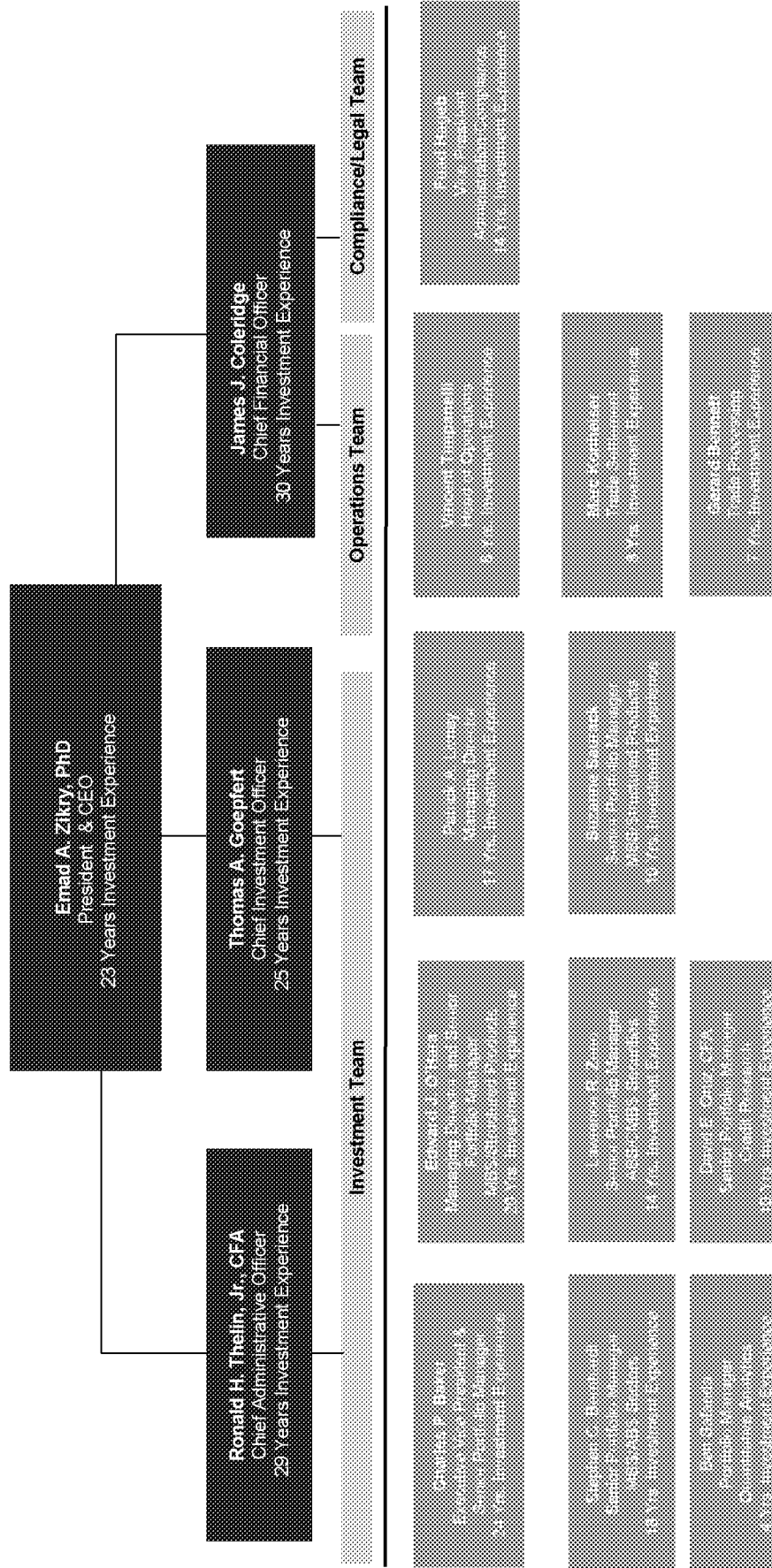
(1) Source: Provided in its entirety by Vanderbilt Capital Advisors. As of 2/2004

D. Key Fixed Income Investment Professionals

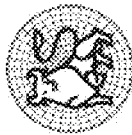


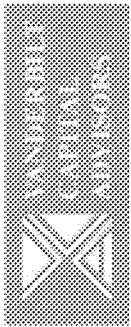


Key Fixed Income Investment Professionals⁽¹⁾ CDO Organizational Chart



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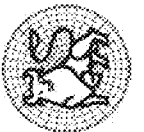


Key Fixed Income Investment Professionals⁽¹⁾

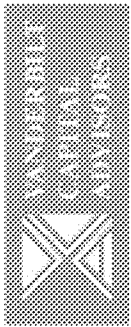
Biographical Information

Background of Individuals within Vanderbilt Capital Advisors and Lakeside CDO II Portfolio Management

- The members of the Lakeside CDO II investment team have a long history managing asset-backed securities, both at Vanderbilt Capital Advisors and at predecessor firms. These seasoned portfolio managers have direct work experience in each of the major ABS categories including Consumer ABS, Commercial ABS, CMBS, RMBS, CDO/CLO and Specialty Structured Products.
- Immediately following are the biographies of senior members of Vanderbilt Capital Advisors and the portfolio managers responsible for security selection, analysis, and monitoring in the Lakeside CDO II.



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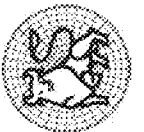
Key Fixed Income Investment Professionals⁽¹⁾ Biographical Information

EMAD A. ZIKRY, is President and Chief Executive Officer of Vanderbilt Capital Advisors, LLC, and held the same position at its predecessor firm. Previously, he was Managing Director and Head of Fixed Income and Quantitative Services at Mitchell Hutchins Institutional Investors, Inc.

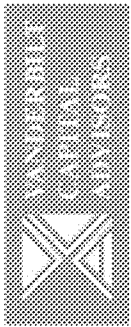
Emad has had numerous articles published in professional and academic journals such as The Journal of Forecasting, The American Economist and The Journal of Fixed Income. He is a Board member of The National Investment Company, and an Associate of The Foreign Policy Association. Emad is a member of the Board of Advisors of the Pacific Institute and The Advisory Committee of Fulcrum Global Partners. He also serves on the Board of Directors of the Park Avenue Bank.

Emad is an NASD Arbitrator. He is also a member of the Fixed Income Analysts Society, the National Association of Business Economists, the International Foundation of Employee Benefit Plans, The Economic Club of New York, and The Chief Executive Officers Club.

Emad holds a B.S. from the State University of New York, and a M.A. and Ph.D. in Economics from the University of Kansas.



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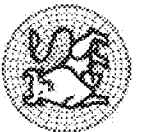
Key Fixed Income Investment Professionals⁽¹⁾ Biographical Information

THOMAS A. GOEPFERT, is a Managing Director at Vanderbilt Capital Advisors, LLC, and held the same position at its predecessor firm. His career began at Manufacturers Hanover Trust Company and he joined Manufacturers Hanover Investment Corporation upon its formation. Tom was a Senior Vice President with Mitchell Hutchins Institutional Investors, Inc. He is responsible for the development and implementation of yield curve strategies, and allocation of assets among the various fixed income sectors. Tom holds a M.B.A. from Bernard Baruch College and a B.B.A. degree from Hofstra University. He has been managing Fixed Income Total Return accounts for twenty-five years.

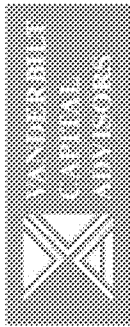
JAMES J. COLERIDGE, is the Chief Financial Officer of Vanderbilt Capital Advisors, LLC. As Compliance Officer for the firm, he fulfills the requirements of regulatory authorities. Jim's career began at Manufacturers Hanover Trust Company and he joined Manufacturers Hanover Investment Corporation upon its formation as Chief Operating Officer. Jim was also a Managing Director and Chief Administrative Officer with Mitchell Hutchins Institutional Investors, Inc. Jim holds a B.A. degree from Kean College. He has thirty years of investment experience.

RONALD H. THELIN, Jr., CFA, is the Chief Administrative Officer of Vanderbilt Capital Advisors, LLC. Ron is responsible for the portfolio strategy implementation of the firm. In addition, Ron works closely with the Mortgage-Backed and Corporate portfolio managers and monitors client guidelines. Prior to joining Vanderbilt he was a Principal of Cambridge Consulting Group. He has also served as Head of the Portfolio Management Group at Aetna Life, and as a Principal at First Boston Asset Management. Ron has a B.S. degree in Investments from Babson College and earned his CFA Charter in 1980. He has twenty-nine years experience in the investment business.

PATRICK A. LIVNEY is a Managing Director at Vanderbilt Capital Advisors, LLC. Previously, Pat was a Partner at Asset Allocation & Management Company responsible for the CBO platform and Marketing. Prior to that, he served as Senior Vice President Sales at Prudential Securities, Inc. Pat holds a B.S. from Roosevelt University, Chicago. He has over seventeen years of investment experience.



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Key Fixed Income Investment Professionals⁽¹⁾ Biographical Information

STEPHEN C. BERNHARDT, is a Senior Portfolio Manager at Vanderbilt Capital Advisors, LLC. Steve focuses on the MBS/ABS sectors with an emphasis on pass-through and structured mortgages. He held similar positions at Prudential Securities, Smith Barney, Asset Allocation & Management, and Dean Witter Reynolds. Steve holds a B.A. from Brown University. He has eighteen years of investment experience.

EDWARD J. O'HARA, is a Managing Director at Vanderbilt Capital Advisors, LLC. Ed focuses on the mortgage sector with an emphasis on mortgage pass-throughs, CMO's and CMBS. He was previously a Managing Director at INVESCO where he specialized in Mortgage-backed and Asset-backed securities. Prior to that he was a Senior Portfolio Manager at Ark Asset Management serving in a similar capacity. Ed holds a B.S. in accounting from the University of Bridgeport. He has twenty years of investment experience.

DAVID E. ORTIZ, CFA, is a Senior Portfolio Manager at Vanderbilt Capital Advisors, LLC. David focuses on the corporate sector with an emphasis on quantitative credit research. Previously, he held the position of Partner at Asset Allocation & Management responsible for private placement and cyclical corporate credit research. Prior to that, he worked as corporate credit research analyst for Prudential Capital's Private Placement Group. David holds an M.B.A. in finance from the University of Chicago and a B.S. in finance from Miami University of Ohio. He has ten years of investment experience.

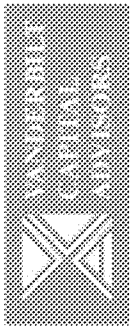
BEN SAFANDA, is a Portfolio Manager at Vanderbilt Capital Advisors, LLC. Ben focuses on quantitative analysis across all of the market sectors. Previously, he supported the CDO platform at Asset Allocation & Management. He holds a B.A. from Haverford College. Ben has four years of investment experience.

SUZANNE SAURACK, is a Senior Portfolio Manager at Vanderbilt Capital Advisors, LLC. Suzanne focuses on the mortgage sector with an emphasis on tracking credit sensitive mortgages. She was previously an interest rate derivatives professional at Bank of America. Suzanne holds a B.S. in Finance and a B.A. in Economics from the University of Pennsylvania. Suzanne has nine years of investment experience, and has passed the Level 1 examination of the CFA program.

VINCENT TIMPANNELLI, is the Head of Operations at Vanderbilt Capital Advisors, LLC. Anthony supervises the reconciliation and trade settlement process, customized reporting and acts as the liaison to Vanderbilt Capital Advisors Portfolio Accounting System (PAM). Previously he was assistant portfolio manager at Vanderbilt Capital Advisors, worked as a trading assistant in Emerging Markets and as a sales assistant in Mortgage-Backed Securities for Paine Webber's Institutional Fixed Income Trading desk. Vincent holds a BA from St. John's University. He has eight years of investment experience.



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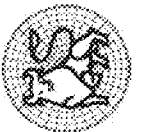
Key Fixed Income Investment Professionals⁽¹⁾ Biographical Information

LAWRENCE R. ZENO, is a Senior Portfolio Manager at Vanderbilt Capital Advisors, LLC. Larry focuses on the ABS/CMBS sectors. Previously, he held the position of Senior Manager of trading at Asset Allocation & Management Company where he also managed the ABS/CMBS Structured Finance portfolio. Larry holds a B.A. from Northwestern University. He has thirteen years of investment experience.

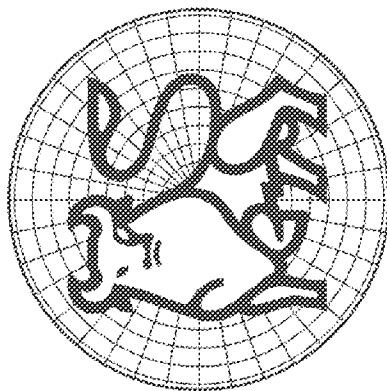
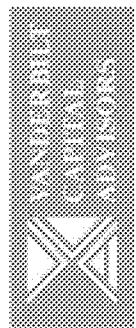
GERARD BENNETT, is a Senior Operations Manager at Vanderbilt Capital Advisors, LLC. He is responsible for cash and asset reconciliation. He previously served as a Pricing Analyst for the Global Investors Services division of Chase Manhattan Bank and has more than nine years of global custody experience. Gerard holds a B.A. from the College of the Holy Cross and an M. B. A. in Finance and Investments from Baruch College.

FUAD HAGEB, is a Vice President at Vanderbilt Capital Advisors, LLC. He is Head of Risk Management at Vanderbilt Capital Advisors. Fuad models and analyzes the structure of various securities. He models securities and portfolios under various yield curve assumptions and determines their risk attribution. He is also involved with the review of internal policies and procedures, system upgrades and numerous other special projects. Fuad attended the New York Institute of Technology and majored in Finance and Business Management. He has over fifteen years of investment experience.

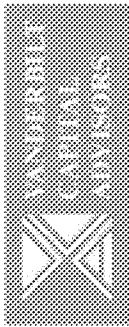
MARC KONHEISER, is a Senior Operations Manager at Vanderbilt Capital Advisors, LLC. He is primarily responsible for coordinating the processing of trades and resolving any settlement issues between broker-dealers and accounts' custodian banks. Prior to Vanderbilt Capital Advisors, he held several positions at AMBAC-Cadre most recently as a money market portfolio manager. Marc holds a B.A. from the University of New York at Stony Brook. He has ten years of investment experience.



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6. Tax Considerations



Tax Considerations

The following is a general discussion of the US federal income tax consequences of investment in securities issued by CDO Issuers. The precise tax consequences of investment in the Offered Securities may vary based on the terms of those Securities.

EXPECTED TAX TREATMENT

- The Class A Notes and the Class B Notes [will] be debt and the Class C Notes [should] be debt for U.S. Federal income tax purposes.
- The issuer will be a passive foreign investment company (a "PFIC"). Tax treatment of a US investor in the Preferred Shares thus generally will depend on whether it elects to treat the issuer as a qualified electing fund (a "QEF").
 - If a US investor in Preferred Shares makes the QEF election, it will be required to include in gross income each year, whether or not the issuer makes distributions, its pro rata share of the issuer's net earnings. Amounts required to be included will not be taxed again when distributed. The issuer will provide the information needed to make a QEF election.
 - If a US investor in Preferred Shares fails to make the QEF election, it will be taxable only when it receives a distribution or sells its Preferred Shares. However, "excess distributions" (generally, distributions in any year exceeding 125% of the average amount received during the three preceding years or, if shorter, the investor's holding period) and gains on sale will be subject to an additional tax.
 - To compute the tax on any excess distribution or gain, (i) the excess distribution or gain is allocated ratably over the investor's holding period, (ii) the amount allocated to the current year is taxed as ordinary income and (iii) the amount allocated to each previous year is taxed at the highest applicable marginal rate for that year and an interest charge is imposed to offset the deemed benefit of deferral of that tax.
 - These rules effectively prevent a US investor from treating gain as capital gain.
- The issuer may also be a controlled foreign corporation (a "CFC") and/or a foreign personal holding company (a "FPHC"), as well as a PFIC.
 - The issuer will be a FPHC if five or fewer US citizens or resident individuals own more than 50% of the Preferred Shares. If the issuer is a FPHC, a US investor in Preferred Shares (i) generally will be required to include in income constructive dividends equal to its share of the issuer's specially adjusted taxable income whether or not it receives distributions and (ii) may be subject to the PFIC rules with respect to excess distributions and gains not taxed under the FPHC rules.
 - The issuer may be a CFC if US persons that each own at least 10% of the Preferred Shares together own more than 50% of the Preferred Shares. If the issuer is a CFC, a US investor that owns 10% of the Preferred Shares (i) will not be subject to the PFIC rules or FPHC rules and (ii) should recognize each year as ordinary income its pro rata share of the issuer's net earnings whether or not the issuer makes a distribution.
- Distributions to US investors in the Preferred Shares will not be eligible for either (i) the dividends received deduction allowed to corporations or (ii) the preferential rate allowed to individuals for dividends from US and certain foreign corporations.
- A tax-exempt investor generally should not be subject to unrelated business income tax ("UBIT") unless the investor either (i) holds more than 50% of the Preferred Shares and also holds Notes or Preferred Shares that are debt-financed property.
- The issuer expects to conduct its affairs so that it will not be treated as engaged in a trade or business within the United States and so that its income therefore will not be subject to US net income tax. The issuer also expects that interest income from collateral debt securities generally will not be subject to withholding tax imposed by the United States or other countries.
- US investors in Preferred Shares generally will be required to report certain information about their purchase to the Internal Revenue Service, and investors in Notes and Preferred Shares may in some cases be subject to additional reporting requirements under recent tax shelter regulations.
- [Payments on the Notes and Preferred Shares will not be subject to Cayman Islands tax. The issuer's income will not be subject to Cayman Islands tax.]
- The foregoing outline summarizes some points relevant to prospective investors in general. Some types of investors (e.g., banks, insurance companies, securities dealers and traders, tax-exempt organizations, investors holding Securities as part of a hedge, straddle, conversion or constructive sale transaction) are subject to special US federal income tax regimes not considered here.
- PROSPECTIVE INVESTORS SHOULD READ THE DISCUSSION OF US TAX CONSIDERATIONS IN THE OFFERING CIRCULAR TO BE PROVIDED, WHICH WILL INCLUDE MORE DETAILED INFORMATION. NEITHER THIS OUTLINE NOR THE DISCUSSION OF TAX CONSIDERATIONS IN THE OFFERING CIRCULAR CONSIDERS THE CIRCUMSTANCES OF PARTICULAR PROSPECTIVE INVESTORS. THUS, THEY ARE NOT SUBSTITUTES FOR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS.



THE ATTENTION OF POTENTIAL INVESTORS IS DRAWN TO THE TAX CONSIDERATIONS WHICH ARE DESCRIBED IN THE OFFERING CIRCULAR TO BE PROVIDED