

ACA ABS 2004-1, Ltd.

Managed by:

ACA Management, L.L.C.

May 2004



Global Markets & Investment Banking Group

CONFIDENTIAL



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

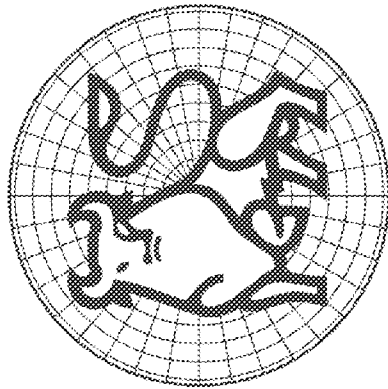


American Capital Access

Table of Contents

1. Executive Summary
2. Asset Class Selection
 - A. Structured Finance Market Overview
 - B. ACA ABS 2004-1 Portfolio
3. Transaction Highlights
4. Risk Factors
5. About the Collateral Manager
 - A. ACA Overview
 - B. ACA Management Overview
 - C. ABS Credit Selection Process
 - D. ABS Credit Selection Criteria
 - E. Surveillance
 - F. Organizational Chart and Key Professional Biographies
6. Tax Considerations





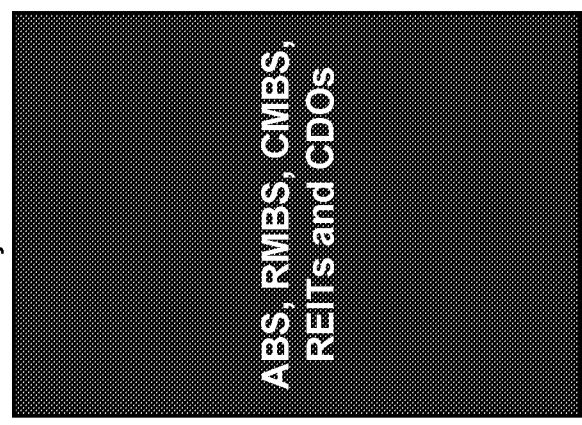
1. Executive Summary



Executive Summary

- ACA ABS 2004-1, Ltd. ("ACA ABS 2004-1") is a newly formed collateralized debt obligation ("CDO") that will be managed by ACA Management, L.L.C. ("ACA Management" or the "Collateral Manager"), a wholly-owned subsidiary of American Capital Access (individually, or together with any of its affiliates, "ACA"). ACA ABS 2004-1 plans to issue a \$[450] MM Asset-Backed Collateralized Debt Obligation ("ABS CDO") backed by a portfolio of Structured Finance Securities ("ABS, RMBS, CMBS and CDOs") and REIT debt securities.⁽¹⁾
- Structured Finance Securities have historically exhibited lower default rates, higher recovery upon default and better rating stability than comparably rated corporate bonds. Consequently, CDOs consisting of Structured Finance Securities have outperformed other CDO types.⁽²⁾
- ACA ABS 2004-1 will issue the following five classes of securities (the "Offered Securities") to be backed primarily by Consumer and Commercial Asset-Backed Securities ("ABS"), Residential Mortgage Backed Securities ("RMBS"), Commercial Mortgage Backed Securities ("CMBS"), REIT Debt Securities ("REITs") and CDOs:

Assets held by ACA ABS 2004-1

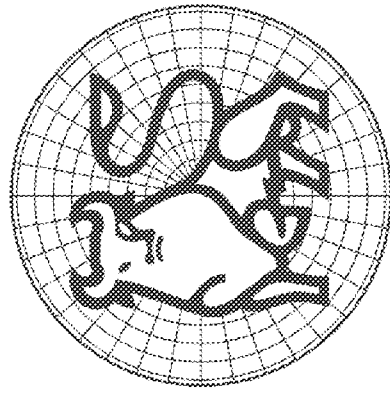


Securities Issued by ACA ABS 2004-1

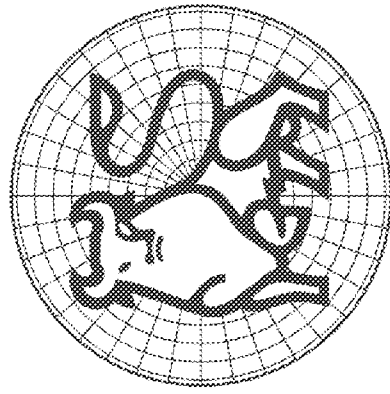
\$[100.0]MM Class A-1 [AAA/AAA-] [Moody's SUFF1]
\$[40.0]MM Class A-2 [A+/A-] [Moody's SUFF1]
\$[47.5]MM Class B [A-/A-] [Moody's SUFF1]
\$[21.5]MM Class C [B+/B-] [Moody's SUFF1]
\$[16.5]MM Preference Shares [NR]



(1) Definitions and other terms will be fully described in the offering circular
 (2) Source: Standard and Poor's, Rating Transitions 2002: "Respectable Credit Performance of U.S. CMBS", January 16, 2003; "U.S. ABS Weather a Turbulent Year", January 31, 2003; "A Quarter Century of Outstanding Credit", February 6, 2003. Please refer to Section 2.



2. Asset Class Selection



A. Structured Finance Market Overview

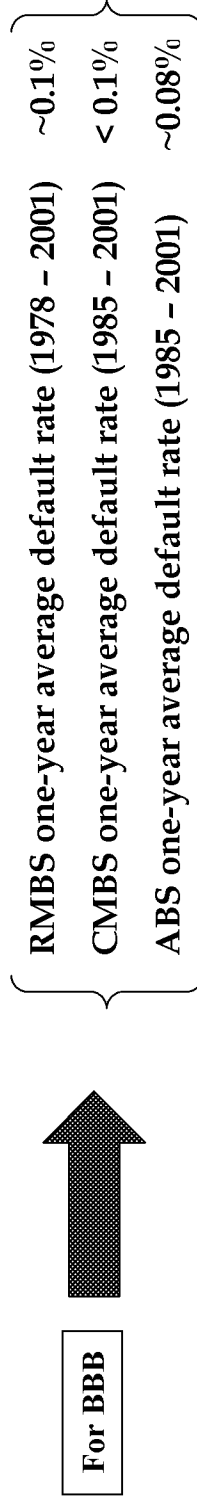


Structured Finance Market Overview

Historical Defaults ⁽¹⁾⁽²⁾

The Offered Securities will be backed by a pool of assets that consists primarily of "BBB" rated RMBS, CMBS and ABS securities

S&P default data shows that, historically, very few "BBB" rated RMBS, CMBS and ABS securities have defaulted.



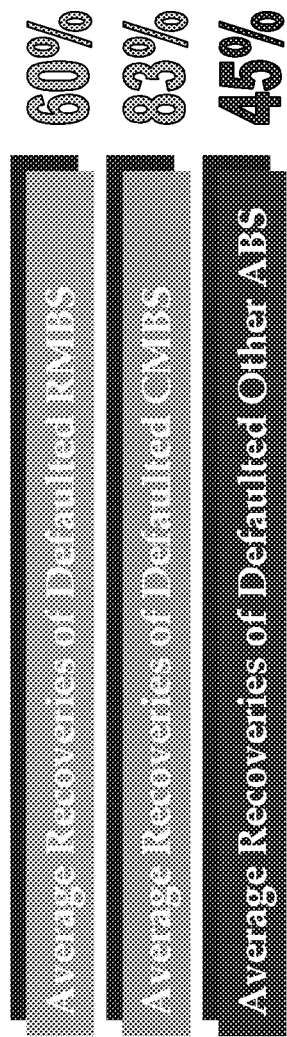
(1) Source: Standard and Poor's, "Rating Transitions 2002: U.S. ABS Weather a Turbulent Year", January 31, 2003.
 (2) Source: Standard and Poor's, "Rating Transitions 2002: A Quarter Century of Outstanding Credit", February 6, 2003.



Structured Finance Market Overview

Historical Recovery Rates of ABS ⁽¹⁾

- An S&P study on recovery rates of ABS, RMBS and CMBS collateral (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 substantial cashflow in respect of interest and principal after a default.
 - Historically, RMBS have recovered at more than 1.5X the rate of corporate bonds and CMBS have recovered at more than twice the rate of corporate bonds.



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)

Rating Stability (1) (2)

According to a recent Moody's study, the long-term historical average (1983-2003) of unchanged ratings of structured finance securities was 92.3%, which compares favorably to the 76.6% average of unchanged ratings of corporate bonds for the same period.

Structured Finance Securities (2003 only)

Rating from:	Rating to:						
	Aaa	Aa	A	Baa	Ba	B	Caa or below
Aaa	98.21%	1.06%	0.50%	0.20%	0.03%		
Aa	5.02%	89.13%	3.43%	1.58%	0.60%	0.19%	0.04%
A	0.65%	3.22%	89.62%	3.75%	1.57%	0.95%	0.24%
Baa	0.31%	0.28%	2.83%	88.20%	3.68%	2.49%	2.20%
Ba	0.07%	0.07%	0.22%	3.26%	83.20%	4.74%	8.44%
B	0.28%			0.98%	3.66%	81.01%	14.06%
Caa or below						0.21%	99.79%

Structured Finance Securities (1983-2003)

Rating from:	Rating to:						
	Aaa	Aa	A	Baa	Ba	B	Caa or below
Aaa	98.86%	0.82%	0.20%	0.07%	0.01%	0.01%	0.04%
Aa	5.48%	91.15%	2.25%	0.77%	0.19%	0.09%	0.08%
A	1.03%	2.42%	93.14%	2.20%	0.72%	0.29%	0.20%
Baa	0.44%	0.50%	2.20%	90.34%	3.65%	1.57%	1.31%
Ba	0.12%	0.06%	0.64%	3.56%	85.92%	3.62%	6.09%
B	0.07%		0.07%	0.67%	1.52%	87.16%	10.51%
Caa or below					0.09%	0.26%	99.65%

(1) Source: "Structured Finance Rating Transitions: 1983-2003", Moody's Investors Service, February 2004.

(2) 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".

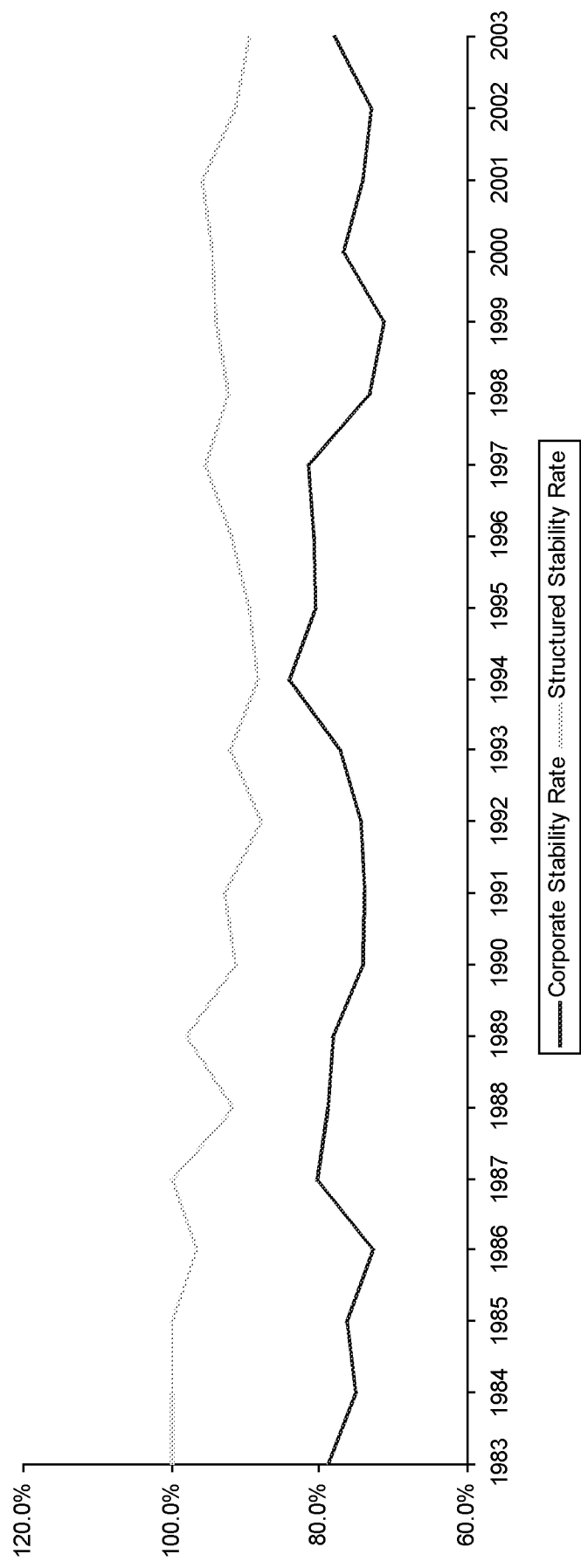




Structured Finance Market Overview

Rating Stability (cont'd) (1) (2)

Overall, rating stability in structured finance securities was more than 10 percentage points higher than in corporate bonds in 2003, as it has been since 1983.



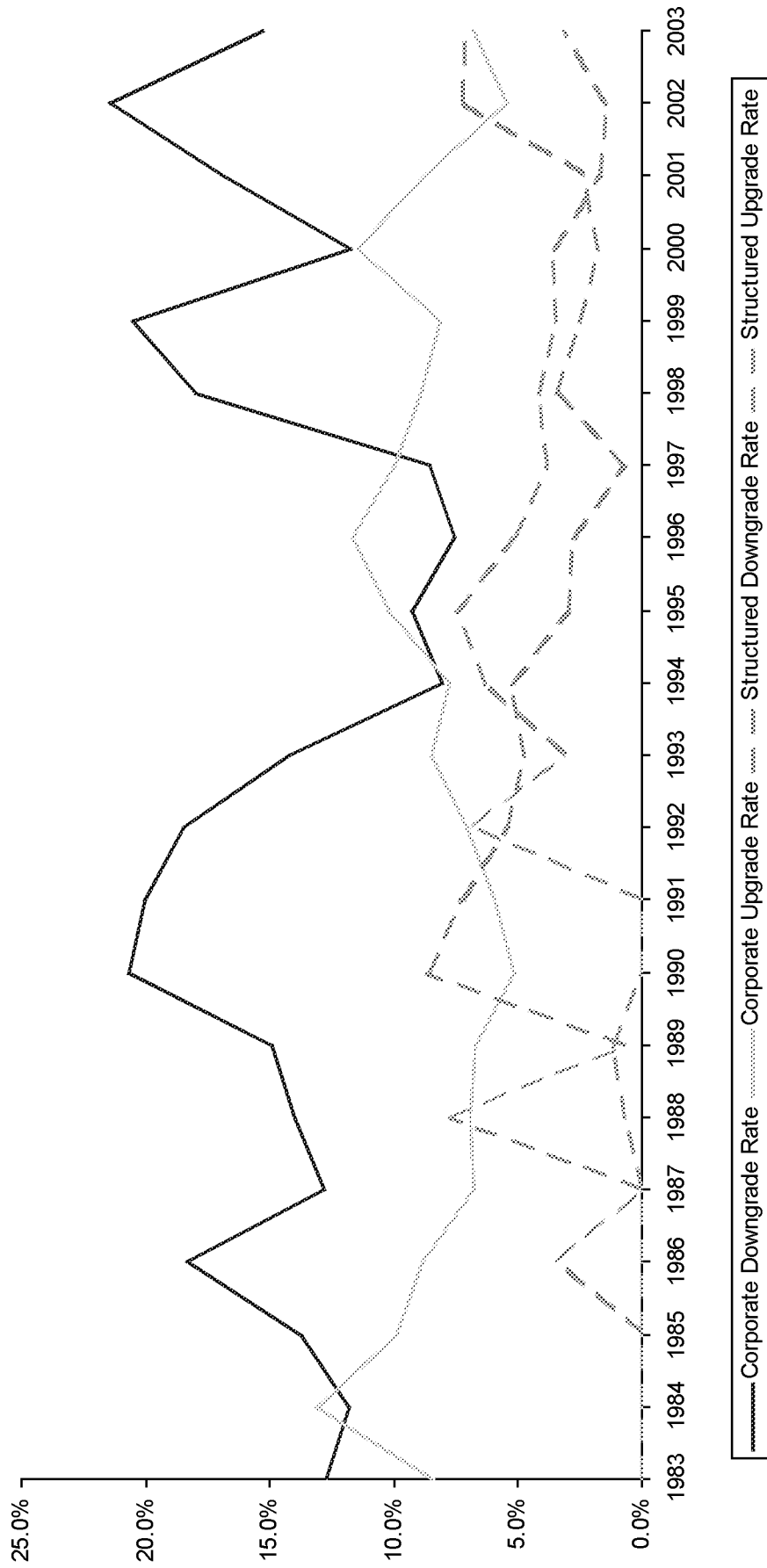
(1) Source: "Structured Finance Rating Transitions: 1983-2003", Moody's Investors Service, February 2004.
 (2) Certain of the information contained has been obtained from third party sources and neither Merrill Lynch nor any of its affiliates makes any representation or warranty, express or implied as 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".





Structured Finance Market Overview

Low Ratings Volatility (1) (2)



(1) Source: "Structured Finance Rating Transitions: 1983-2003", Moody's Investors Service, February 2004.
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Structured Finance Market Overview

ABS CDO Performance

- Better performance of structured finance assets (including RMBS, CMBS, ABS and CDOs) has led to better performance of CDOs backed by those assets.

Moody's CDO Index ⁽¹⁾ ⁽²⁾ ⁽³⁾

(as of January 2004)

Asset Collateralizing CDO	Subordinate Overcollateralization	Defaults	Rating Score
ABS	+1.01%	1.03%	<56.11%>
Collateralized Loan Obligations	+2.55%	2.91%	<3.38%>
Investment Grade Corp	<0.37%>	1.16%	<75.90%>
High Yield Corp	<10.79%>	9.35%	<42.71%>

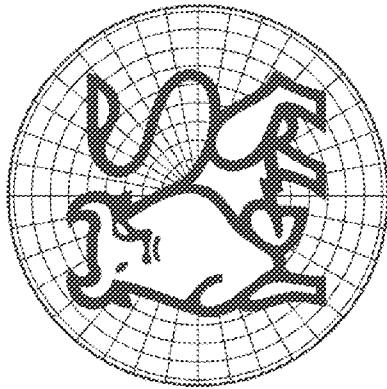
The Moody's CDO Index measures defaults in the portfolio as well as the extent of compliance (positive numbers) or non-compliance (negative numbers) with certain coverage and collateral quality tests including O/C tests and Rating Factor tests.

(1) Source: "Moody's, "Collateralized Debt Obligations Indices: January 2004".

(2) The Index shown for each respective deal type is the average of the Moody's rated deals that closed between 1996-2003 for each respective deal type.

(3) 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".





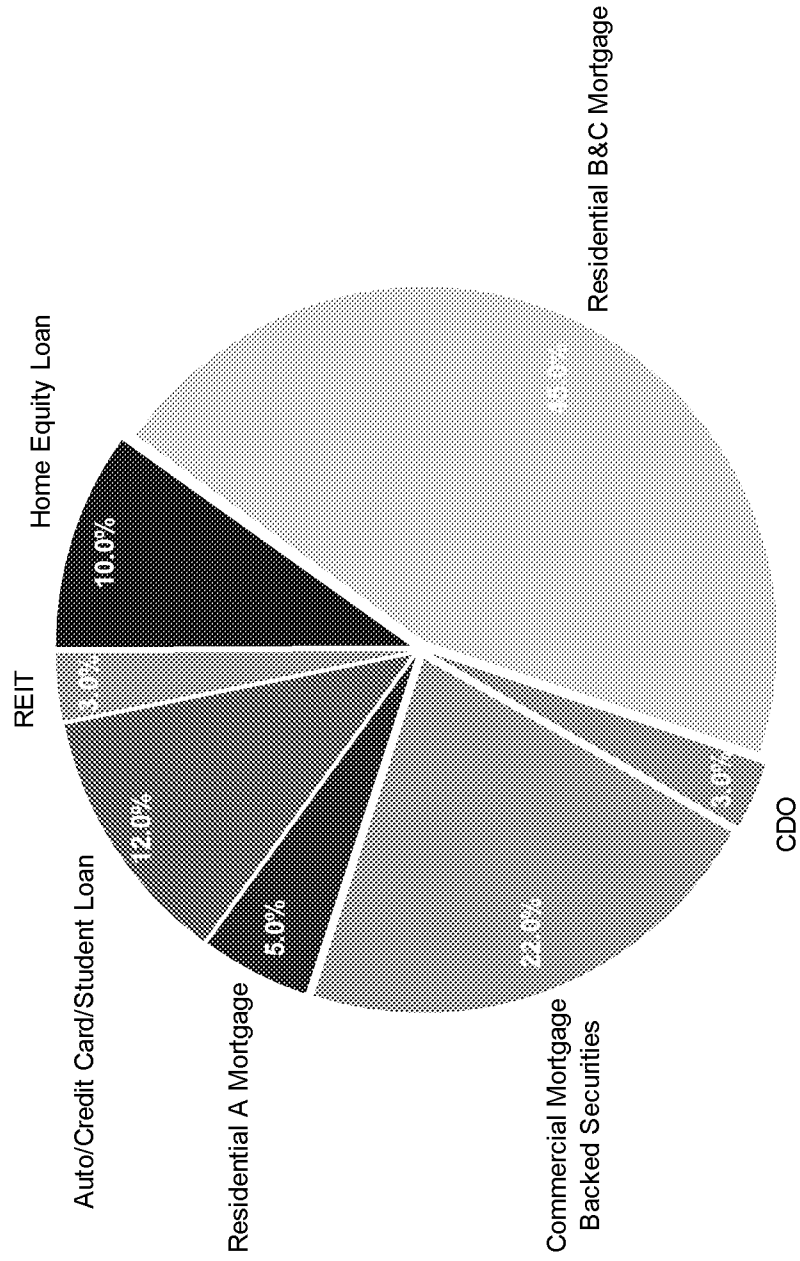
B. ACA ABS 2004-1 Portfolio



ACA ABS 2004-1 Portfolio Portfolio Assumptions

ACA ABS CDO Portfolio Composition ⁽¹⁾

ACA ABS CDO is expected to have a majority of its portfolio in assets backed by residential securities (including Residential A Mortgage, Residential B/C Mortgage, Home Equity Loan and REIT securities)



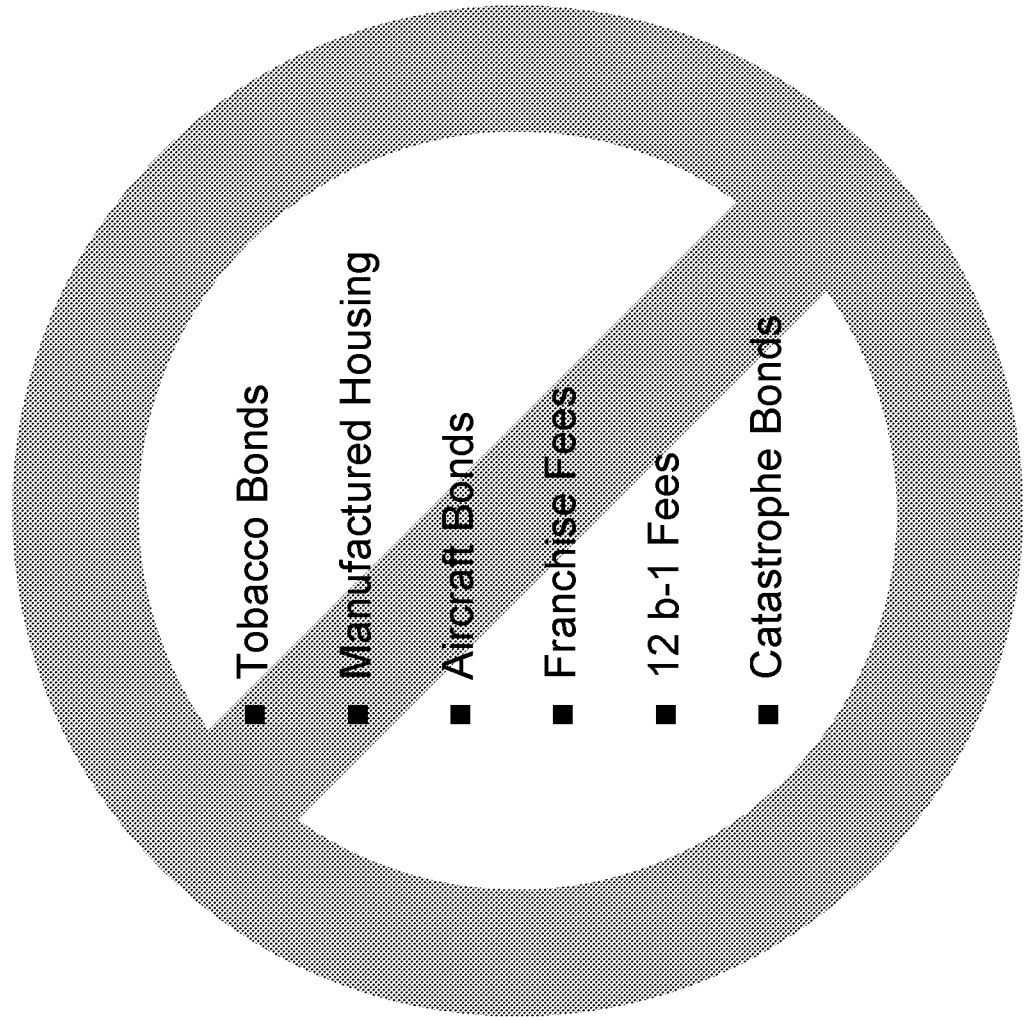
⁽¹⁾ All information shown in these materials is for illustrative purposes only. The actual structure of a final transaction, including the composition of the collateral to be acquired, will be determined at or around the time of pricing of the Notes based upon market conditions and other factors applicable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

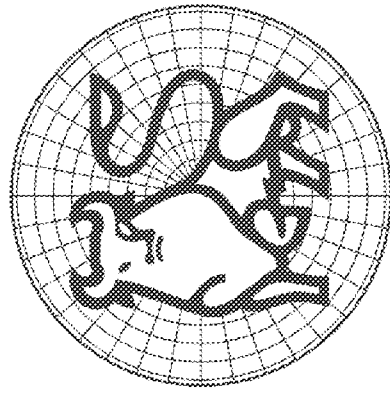




ACA ABS 2004-1 Portfolio

ACA ABS 2004-1 will not purchase assets from the following asset classes:





3. Transaction Highlights



Transaction Highlights (1)(7)

Summary of Terms

Type ABS CDO
Issuer ACA ABS 2004-1, Ltd.
Advisor ACA

Total Size [\$450] MM

Class	Type	Ratings (M/S/F) ⁽²⁾	Par/Investment Amount	Average Life ⁽³⁾	Legal Maturity Date	Minimum Denomination
A-1	First Priority Senior Secured Floating Rate Notes	[Aaa/AAA/AAA]	[\$315.0] MM	[5.0] yrs	[May 2039]	[\$1,000,000 minimum] [\$1,000 increments]
A-2	Second Priority Senior Secured Floating Rate Notes	[Aaa/AAA/AAA]	[\$49.5] MM	[7.0] yrs	[May 2039]	[\$1,000,000 minimum] [\$1,000 increments]
B	Third Priority Senior Secured Floating Rate Notes	[Aa2/AA/AA]	[\$47.3] MM	[7.8] yrs	[May 2039]	[\$1,000,000 minimum] [\$1,000 increments]
C	Fourth Priority Mezzanine Floating Rate Notes	[Baa2/BBB/BBB]	[\$21.4] MM	[6.8] yrs	[May 2039]	[\$1,000,000 minimum] [\$1,000 increments]
	Preference Shares	[NR/NR/NR]	[\$16.5] MM		[May 2039]	[\$250,000 minimum] [\$25,000 increments]

Collateral Profile

- Maximum Single Issuer Concentration: [1.75%] ⁽⁴⁾
 - Maximum Single Servicer Concentration: [7.5%] ⁽⁵⁾
 - Minimum Diversity Score: [16]
 - Maximum Average Rating Score: [400]
 - Target Average Rating Score: [360]
- Minimum Rating at Initial Purchase: [Baa3]
 - Below Investment Grade Bucket ⁽⁶⁾: [10%]
 - Maximum Weighted Average Life: [6.25] Years
 - Minimum Weighted Average Coupon: [5.75%]
 - Minimum Weighted Average Spread: [2.15%]

(1) The transaction is at a structuring phase, the actual characteristics of the offered securities may differ from those presented herein. Definitions and other terms will be fully described in the offering circular.
 (2) The classes will be rated by Moody's, S&P and Fitch.
 (3) Please see "Transaction Highlights - Structuring Assumptions" for a description of modeling assumptions. Based on an auction call in [8] years.
 (4) With up to 10 exceptions at [2.5%].
 (5) With some exceptions (yet to be determined).
 (6) Used solely for ratings migration purposes.
 (7) Merrill Lynch may, but is not obligated to make a market in the Offered Securities.
 Note: All information shown in these materials is for illustrative purposes only. The actual structure of the 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.





Transaction Highlights

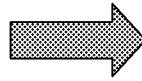
Advantages of Deleveraging

Benefits of the RAPID Structure

- The "RAPID" structure allows for limited reinvestment.

Class A Notes Early Principal Paydown

- From the inception of the transaction, principal paydowns on the underlying collateral will be used to pay down the Class A Notes.



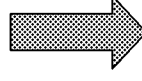
Benefits to Class A Noteholders

- Principal payments are expected upon the first distribution date
- Build up of overcollateralization levels



Class C Notes Early Principal Paydown

- Returns on Preference Shares will be capped at [15%] until Class C Notes are fully amortized. Excess interest will be used to fully amortize the Class C (Baa2/BBB/BBB) Notes from the initial distribution date.



Benefits to Class C Noteholders

- Expected average life of the Class C (Baa2/BBB/BBB) Notes will be shorter as a result
- Build up of overcollateralization levels



Transaction Highlights ⁽¹⁾⁽⁴⁾⁽⁵⁾

Break Even Default Rates- [2.25]% Spread

BREAKEVEN DEFAULT RATES ⁽²⁾	Based on a Break in Yield		Based on 0% Yield	
	Class Description (Moody's/S&P/Fitch)	Annual Default Rate	Cumulative Gross Defaults	Annual Default Rate
Class A-1 First Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[18.6%]	[64.9%]	[30.2%]	[81.3%]
Class A-2 Second Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[11.7%]	[48.5%]	[14.4%]	[55.7%]
Class B Third Priority Senior Floating Rate Notes (Aa2/AA/AA)	[6.5%]	[31.0%]	[9.0%]	[40.1%]
Class C Fourth Priority Mezzanine Floating Rate Notes (Baa2/BBB/BBB)	[3.3%]	[17.2%]	[4.6%]	[23.1%]

Break Even Default Rates- [2.15]% Spread

BREAKEVEN DEFAULT RATES ⁽³⁾	Based on a Break in Yield		Based on 0% Yield	
	Class Description (Moody's/S&P/Fitch)	Annual Default Rate	Cumulative Gross Defaults	Annual Default Rate
Class A-1 First Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[18.3%]	[64.4%]	[29.9%]	[81.0%]
Class A-2 Second Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[11.5%]	[47.9%]	[14.2%]	[55.2%]
Class B Third Priority Senior Floating Rate Notes (Aa2/AA/AA)	[6.3%]	[30.2%]	[8.8%]	[39.4%]
Class C Fourth Priority Mezzanine Floating Rate Notes (Baa2/BBB/BBB)	[3.1%]	[16.2%]	[4.4%]	[22.2%]

Future market and economic conditions are impossible to predict. Future market or economic conditions that materially differ from those on which the assumptions are based may have a negative impact on the performance of ACA ABS 2004-1, Limited. For these reasons, there are limitations on the value of this or any hypothetical illustration. This information is not intended to be either an express or implied guaranty of investment performance.

- (1) Break in yield is the default rate at which the first dollar loss in principal occurs, and 0% yield is the default rate at which no principal is received.
- (2) Assumes 60% recoveries with a 6 month lag, forward LIBOR and a weighted average spread of [2.25]%
- (3) Assumes 60% recoveries with a 6 month lag, forward LIBOR and a weighted average spread of [2.15]%
- (4) Please see "Transaction Highlights - Structuring Assumptions" for a description of modeling assumptions.
- (5) Definitions and other terms will be fully described in the offering circular

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⁾⁽⁴⁾

Collateral Assumptions ⁽¹⁾

Weighted Average Fixed Coupon	[5.75%]
Weighted Average Floating Spread	[2.15%]
Weighted Average Price	[99.70%]
Maximum Weighted Average Life	[6.25] yrs
Principal Amount	[\$450MM]
Minimum Diversity Score	>=[16]
Maximum Weighted Average Rating	[400] (Baa2/Baa3)

Ongoing Fees and Expenses ⁽²⁾

Senior Advisory and Structuring Fees	[15.0] bps
Subordinate Advisory Fees	[10.0] bps
Incentive Fee	[20%] of the cashflows once an IRR of [15%] is achieved
Trustee Fees	[2.0] bps
Administrative Expenses	[4.0] bps
Administrative Fee Cap	[\$300,000] yr

Closing Fees and Expenses ⁽⁵⁾

Benchmark Assumptions

First Period LIBOR ⁽²⁾ [1.25]%

Funding and Payment Dates

Closing Date [5/25/04]
Payment Dates [8/25], [11/25], [2/25] and [5/25] of each year

Coverage Tests ⁽³⁾

	O/C Tests	Initial O/C	I/C Tests	Initial I/C
Class A/B	[104.25]%	[109.3]%	[115.00]%	[146.0]%
Class C	[101.00]%	[103.9]%	[110.00]%	[128.5]%

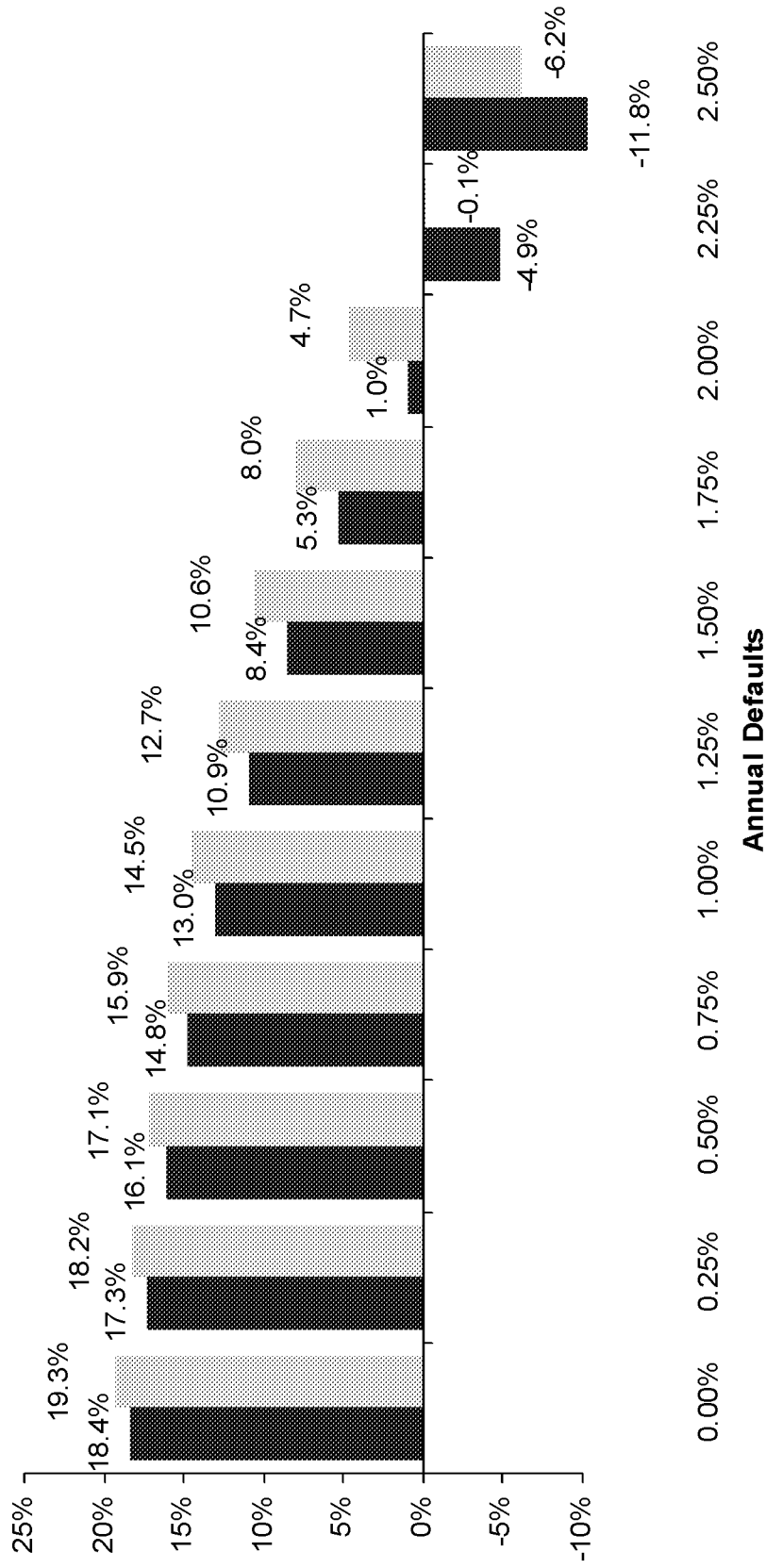
(1) These assumptions are general and are not conclusive or exhaustive. Actual collateral characteristics may be different from those assumed and even if they are the same on a weighted average basis, the use of individual securities in the actual CDO structure may substantially change the results indicated.
 (2) Calculated on the outstanding collateral balance as of the first day of each payment period.
 (3) Subject to change. Initial represents expected characteristics of target portfolio.
 (4) Definitions and other terms will be fully described in the Offering Circular.
 (5) There will be certain up-front closing fees associated with this transaction including Merrill Lynch structuring and placement fees, legal, agency, and other fees.





Transaction Highlights

Preferred Share Return (IRR) (1)

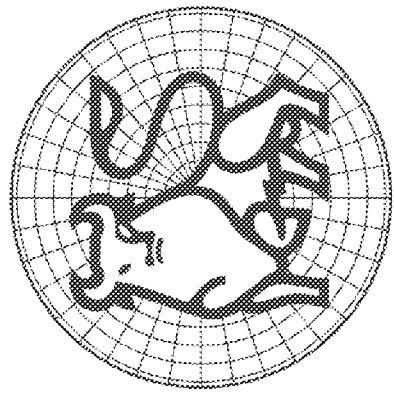


■ [2.15]% Weighted Average Spread ■ [2.25]% Weighted Average Spread

Future market and economic conditions are impossible to predict. Future market or economic conditions that materially differ from those on which the assumptions are based may have a negative impact on the performance of ACA ABS 2004-1. Limited. For these reasons, there are limitations on the value of this or any hypothetical illustration. This information is not intended to be either an express or implied guaranty of investment performance.



(1) Please see prior page for a description of modeling assumptions. Scenario assumptions: Annual defaults begin immediately at "Stated Default Rate." Recovery Assumptions: 60%.



4. Risk Factors





Risk Factors

An investment in the Securities described in this Information, if such offering is consummated, will involve certain risks. Set forth below is a summary description of certain of the risks to which an investor in the Securities would be subject. A detailed list of risk factors will be included in the Offering Circular (including the preliminary and final versions thereof). 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. There is currently no market for the Offered Securities. Although Merrill Lynch may from time to time make a market in any class of Offered Securities, it is under no obligation to do so. In the event that Merrill Lynch commences any market-making, it may discontinue the same at any time. There can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. In addition, the Offered Securities are subject to transfer restrictions and can only be transferred to certain transferees. Consequently, an investor in the Offered Securities must be prepared to hold its Offered Securities for an indefinite period of time.

Limited-Recourse Obligations. The Notes will be limited-recourse obligations of the co-issuers, payable solely from the collateral pledged by the issuer to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the issuer, the co-issuer, the trustee, the administrator of the issuer, the Collateral Manager, Merrill Lynch, any of their respective affiliates and any other person or entity will be obligated to make payments on the Notes. Consequently, the holders of the Notes must rely solely on amounts received in respect of the collateral for the payment of principal thereof and interest thereon. There can be no assurance that the distributions on the collateral pledged by the issuer to secure the Notes will be sufficient to make payments on any class of Notes, in particular after making payments on more senior classes of Notes and certain other required amounts ranking senior to such Notes. The issuer's ability to make payments in respect of any class of notes will be constrained by the terms of the Notes of classes more senior to such class and the indenture. If distributions on the collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the collateral, the obligations of the co-issuers to pay such deficiencies will be extinguished.

Payments in respect of the Preferred Shares. The issuer will pledge substantially all of its assets to secure the Notes and certain other obligations pursuant to the indenture. The proceeds of such assets will only be available to make payments in respect of the Preferred Shares as and when such proceeds are released from the lien of the indenture in accordance with the priority of payments that will be set forth therein. There can be no assurance that, after payment of principal and interest on the Notes and other fees and expenses of the co-issuers in accordance with such priority of payments, the issuer will have funds remaining to make distributions in respect of the Preferred Shares.



The summary risk factors presented above are generic to the investment category, do not present all of the risks specific to this transaction and are subject in their entirety to the complete presentation of risk factors in the final Offering Circular.

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



Risk Factors

Subordination of Each Class of Subordinate Notes. No payment of interest on any class of Notes will be made until all accrued and unpaid interest on the notes of each class that is senior to such class and that remain outstanding has been paid in full. Except as otherwise described in, and subject to, the priority of payments that will be set forth in the offering circular, no payment of principal of any class of Notes will be made until all principal of, and all accrued and unpaid interest and on, the Notes of each class that is senior to such class and that remain outstanding have been paid in full. It is anticipated that, so long as each coverage test with respect to the Class A Notes and Class B Notes is satisfied, principal of the Class A Notes and Class B Notes will be paid on a sequential basis. If an event of default occurs, so long as any Notes are outstanding, the holders of the most senior class of Notes then outstanding will be entitled, subject to certain limitations, to determine the remedies to be exercised under the indenture. It is anticipated that so long as any Class A Notes or Class B Notes are outstanding, the failure on any payment date to make payment in respect of interest on the Class C Notes will not constitute an event of default under the indenture and such interest will be deferred and capitalized. Remedies pursued by the holders of the class or classes of Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of the other classes of notes. It is anticipated that, to the extent that any losses are suffered by any of the holders of any Offered Securities, such losses will be borne, first, by the holders of the Preferred Shares, second, by the holders of the Class C Notes, third, by the holders of the Class B Notes and fourth, by the holders of the Class A Notes.

Volatility of the Preferred Shares. The Preferred Shares represent a leveraged investment in the underlying collateral. Therefore, it is expected that changes in the value of the Preferred Shares will be greater than the change in the value of the underlying collateral, which will be subject to credit, liquidity, interest rate and other risks. Utilization of leverage is a speculative investment technique and involves certain risks to investors. The indebtedness of the issuer under the Notes will result in interest expense and other costs incurred in connection with such indebtedness that may not be covered by proceeds received from the Collateral. The use of leverage generally magnifies the issuer's opportunities for gain and risk of loss.

Nature of Collateral. The collateral will be subject to credit, liquidity and interest rate risk. The amount and nature of the collateral securing the Notes will be established with a view to withstanding certain assumed deficiencies in payment occasioned by defaults in respect of the securities included in the collateral. If any deficiencies exceed such assumed levels, however, payments on the Notes and distributions on the Preferred Shares could be adversely affected. To the extent that a default occurs with respect to any security included in the collateral, it is not likely that the issuer will receive the full amount of principal and interest owing to the issuer in respect of such security. The market value of the collateral generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the securities included in the collateral, the remaining term thereof to maturity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

Certain Conflicts of Interest. The activities of the Collateral Manager, Merrill Lynch and their respective affiliates may result in certain conflicts of interest. Conflicts of Interest Involving the Collateral Manager. Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its affiliates for their own accounts or for the accounts of others. The Collateral Manager and its affiliates may invest for their own accounts or for the accounts of others in debt obligations that would be appropriate investments for the issuer and they have no duty, in making such investments, to act in a way that is favorable to the issuer or the holders of the Offered Securities. Such investments may be different from those made on behalf of the issuer. The Collateral Manager and its affiliates may have economic interests in or other relationships with issuers in whose obligations or securities the issuer may invest. In particular, such persons may make and/or hold an investment in an securities that may be *pari passu*, senior or junior in ranking to an investment in securities of the same issuer that are held by the issuer or in which partners, security holders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the issuer and otherwise create conflicts of interest for the Issuer. In such instances, the Collateral Manager and its affiliates may in their discretion, subject to certain restrictions, make investment recommendations and decisions that may be the same as or different from those made with respect to the issuer's investments.



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Risk Factors

Although the officers and employees of the Collateral Manager will devote as much time to the issuer as the Collateral Manager deems appropriate, the principals and employees may have conflicts in allocating their time and services among the issuer and other accounts advised by the Collateral Manager and/or its affiliates. In addition, the Collateral Manager and its affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict the Collateral Manager from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself.

The Collateral Manager and any of its affiliates may engage in any other business and furnish investment management and advisory services to others, which may include, without limitation, serving as collateral manager or investment manager for, investing in, lending to, or being affiliated with, other entities organized to issue collateralized bond obligations secured by securities such as those included in the collateral and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable for inclusion in the collateral. The Collateral Manager will be free, in its sole discretion, to make recommendations to others, or effect transactions on behalf of itself or for others, that may be the same as or different from those effected on behalf of the issuer, and the Collateral Manager may furnish investment management and advisory services to others who may have investment policies similar to those followed by the Collateral Manager with respect to the issuer and who may own securities of the same class, or which are the same type as, the securities included in the Collateral.

Although the Collateral Manager or one of its affiliates may at times be a holder of the Offered Securities, its interests and incentives will not necessarily be completely aligned with those of the other holders of the Offered Securities (or of the holders of any particular class of the Notes or of the Preferred Shares).

Conflicts of Interest Involving Merrill Lynch. Certain of the securities acquired by the issuer may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which Merrill Lynch or an affiliate of Merrill Lynch acted as underwriter, agent, placement agent or dealer or for which an affiliate of Merrill Lynch acted as lender or provided other commercial or investment banking services. Merrill Lynch or one or more of its affiliates may also act as counterparty with respect to synthetic securities acquired by the issuer or interest rate hedging arrangements entered into by the issuer. In addition, Merrill Lynch, its employees, affiliates and employees of affiliates will receive compensation in connection with the structuring of the CDO and/or distribution of the Securities.

Purchases of Collateral Debt Securities. It is anticipated that many of the securities that will be purchased by the issuer on the date on which the Offered Securities are issued will be purchased from one or more portfolios of securities held by affiliates of the Merrill Lynch pursuant to separate warehousing agreements between such affiliates of Merrill Lynch and the Collateral Manager. Some of the securities subject to such warehousing agreements may have been originally acquired by Merrill Lynch from the Collateral Manager or one of its Affiliates. The issuer will purchase securities included in such warehouse portfolios only to the extent that such purchases are consistent with the investment guidelines of the issuer, the restrictions contained in the indenture and the collateral management agreement and applicable law. The purchase price payable by the issuer for such securities will be based on the purchase price paid when such securities were acquired under the warehousing agreements, accrued and unpaid interest on such securities as of the date they are acquired by the issuer and gains or losses incurred in connection with hedging arrangements entered into with respect to such securities. Accordingly, it is likely that the issuer will bear the risk of market changes subsequent to the acquisition of such securities and related hedging arrangements pursuant to the warehousing agreements as if it had acquired such securities directly.



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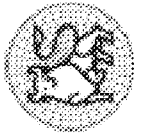
Risk Factors

Redemption and Diversion of Interest Proceeds. 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 economic returns that may be modeled in this Information. 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.

Auction Call Redemption. If the Notes have not been redeemed in full prior to the Payment Date occurring in [·], [2012], then an auction of the Collateral Debt Securities will be conducted and, provided that certain conditions are satisfied, in particular with respect to the sufficiency of anticipated proceeds from the proposed sale of the Collateral Debt Securities, the Collateral Debt Securities will be sold and the Notes will be redeemed on such Payment Date. If such conditions are not satisfied and the auction is not successfully conducted on such Payment Date, the Collateral Manager will conduct auctions on each Payment Date thereafter, however the Notes will not be redeemed until the conditions are satisfied.

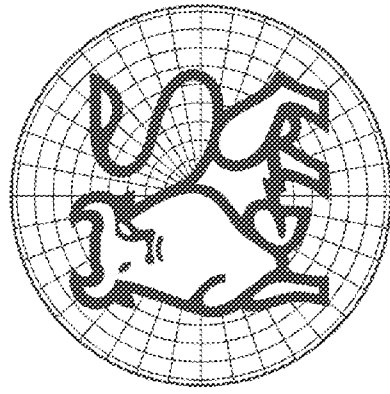
Application of Principal Proceeds. Principal Proceeds from the Collateral Debt Securities, except for sales proceeds that are reinvested in substitute Collateral Debt Securities, will be used to pay principal on the Notes beginning with the first Payment Date. The timing of receipts of principal on the Collateral Debt Securities with respect to such substitute Collateral Debt Securities will depend on, among other factors, the rate of prepayments on Collateral Debt Securities which may be influenced by the level of interest rates and economic conditions. The Issuers cannot predict the actual rate of principal payments that will be experienced on the Collateral Debt Securities.

Redemption of Class C Notes. On any Payment Date occurring after the [·], [2005] Payment Date, if Preference Shareholders have received distributions on the Preference Shares sufficient to achieve a Preference Share Preferred Return (as defined herein) of [18.0]% during the related 12 month calculation period for such Payment Date, any remaining Interest Proceeds will be applied to redeem the Class C Notes. While the anticipated effect of this feature is to accelerate the payment of the Class C Notes, the Issuers cannot predict whether Interest Proceeds received on the Collateral Debt Securities will be sufficient to make such redemptions. Moreover, if the Class C Notes are redeemed sooner than anticipated due to this feature, investors in the Class C Notes may not be able to reinvest the proceeds in investments with the same yield.



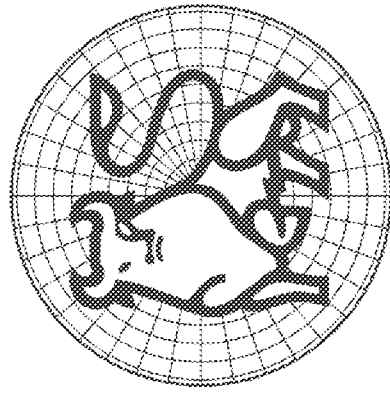
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5. About the Collateral Manager

All information in this section has been supplied herein by ACA



A. ACA Overview



ACA Overview

American Capital Access

- Financial insurance company
 - ◆ Formed in 1997 as the sole dedicated provider of 'A' rated credit enhancement
 - ◆ Municipal finance and structured finance markets
 - ◆ Rated 'A' by Fitch and S&P
- Demonstrated market demand
 - ◆ \$8.0 billion net par insured as of 9/30/03
- Substantial claims-paying resources
 - ◆ In excess of \$400 million as of 9/30/03
- Strong ownership
 - ◆ AEGON, N.V.
 - ◆ BankAmerica Investments Corporation
 - ◆ Chestnut Hill ACA, LLC
 - ◆ Insurance Partners Entities
 - ◆ FWACA Investors, L.P.
 - ◆ Stephens Group, Inc.
 - ◆ Third Avenue Trust
- Experienced management team





ACA Overview

ACA's Mission

- Establish the ACA franchise as a leading provider of financial insurance and related products
 - ◆ Combine capital markets technology with an insurance platform to participate at the intersection of the insurance and financial markets
 - ◆ Offer credit linked products that provide financial management and risk intermediation

ACA's Objectives

- Preserve capital
- Develop operating strategies that target a sustainable mid-teens ROE
 - ◆ Annuity income
 - ◆ Consistent growth in adjusted book value
- Mitigate unexpected volatility





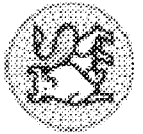
ACA Overview

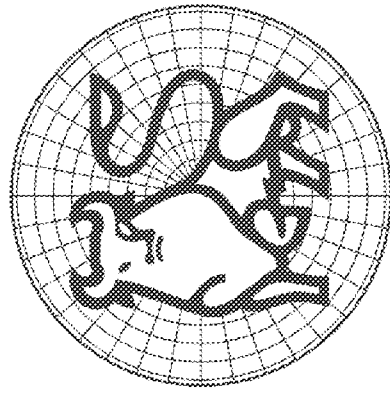
ACA's Operating Strategies

- Active participation in underlying markets to extract maximum economics
- Limit exposure to catastrophic risk – as a function of the inherent nature of the risk or the structure of the financial insurance product
- Disciplined underwriting to risk remote standard
 - ◆ Transactional credit analysis
 - ◆ Emphasis on portfolio risk management
 - ◆ Avoidance of market and liquidity risk

ACA's Products

- Municipal Credit Enhancement
- Structured Finance Products
 - ◆ Proprietary CDOs
 - ◆ Asset Management
- Customized Solutions
 - ◆ Risk transfer minimized to facilitate cost effective financial management
 - ◆ Extension of competencies to assume low frequency or limited severity risk



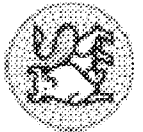


B. ACA Management Overview



ACA Management Overview Investment Philosophy

- Focus primarily on investment grade debt markets and identify attractive opportunities in several ways.
- Participate in undervalued sectors or issues for which credit fundamentals remain solid.
- Seek to purchase well-structured securities in asset classes that offer a substantial liquidity premium due to market dislocations or "headline risk".
- Pursue opportunities in newer, smaller and emerging asset classes to create and maintain diversified portfolios of investments that offer long-term value.
- Preserve Capital.
- Willing to use excess spread to hedge or sell deteriorated credits.
- Minimize real market value exposure.
- Minimize maturity risk through asset/liability matching.

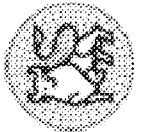




ACA Management Overview

Why Choose ACA?

- As an "A" rated company, ACA is regulated by both the rating agencies and the insurance commissioner.
- ACA has more than 25 professionals representing a combination of skills and experience relating to credit underwriting and capital markets analysis and execution.
- The first objective of asset management is to trade defensively and protect principal.
- Asset selection and asset management is premised on credit fundamentals and then optimized for relative value.
- ACA utilizes proprietary models to stress and confirm the adequacy of cash flows.
- ACA has committed to purchase a substantial amount of the preference shares and will retain at least 49% of the total amount of preference shares issued.





ACA Management Overview CDO Experience

More than \$6 billion in 7 CDOs under management (BBN Tickers ACA, ACABS, GAFCO)

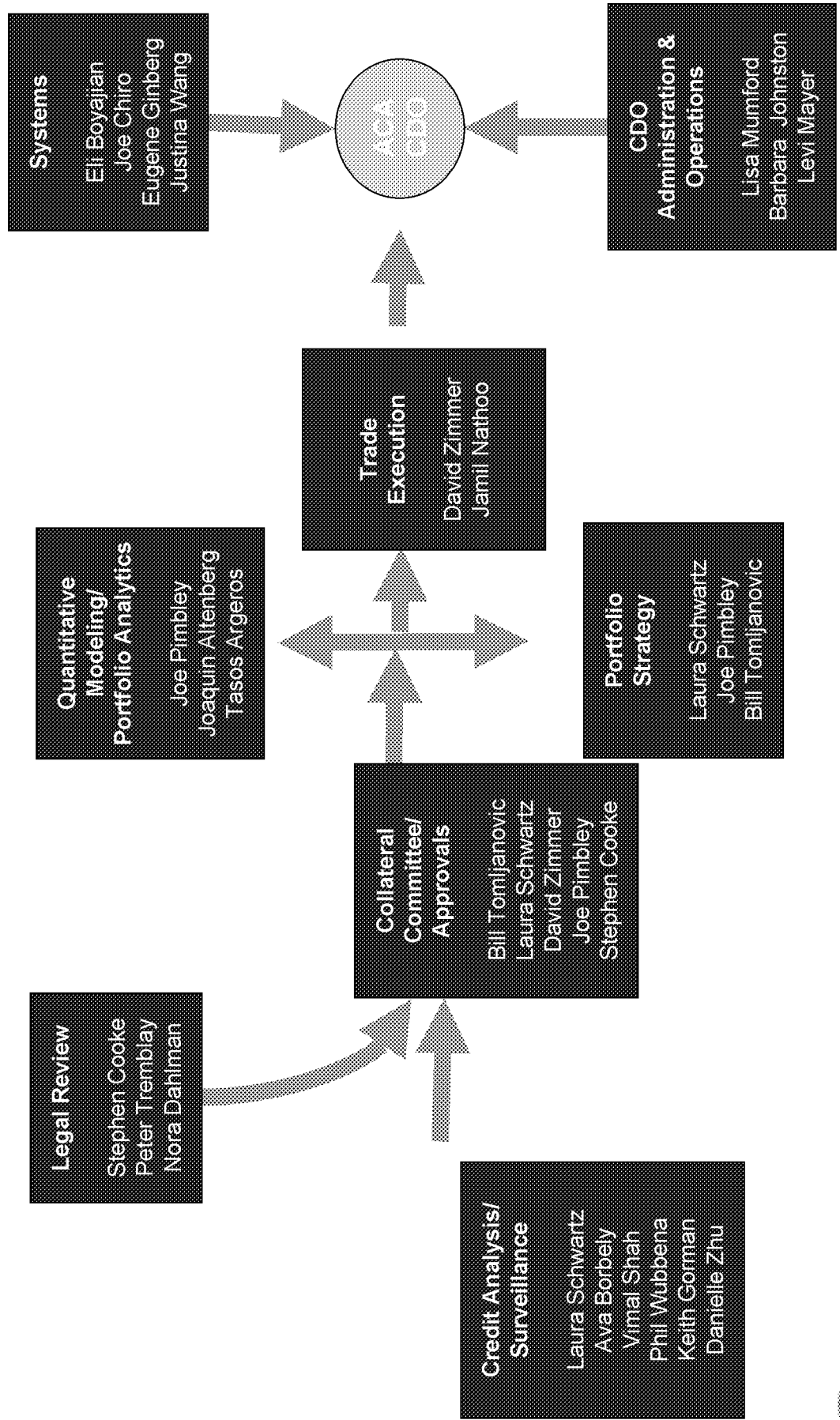
- ACA CDS 2001-1
 - ◆ \$1 billion, 5-year synthetic investment grade corporate credits
- ACA CDS 2002-1
 - ◆ \$1 billion, 5-year funded synthetic investment grade corporate credits
- ACA ABS 2002-1
 - ◆ \$400 million, multi-sector ABS, RMBS and CMBS
- ACA CDS 2002-2
 - ◆ \$1 billion, 5-year synthetic investment grade corporate credits
- ACA ABS 2003-1
 - ◆ \$400 million, multi-sector ABS, RMBS and CMBS
- Grenadier Funding
 - ◆ \$1.5 billion high grade ABS
- ACA ABS 2003-2
 - ◆ \$725 million, multi-sector ABS, RMBS and CMBS





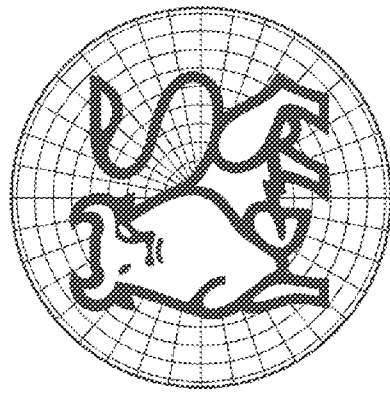
ACA Management Overview

The ABS CDO Team ⁽¹⁾



(1) As of March 2004. There is no guarantee that these individuals will continue to be employed by ACA.





C. ABS Credit Selection Process



ABS Credit Selection Process

ACA employs a business strategy that emphasizes identification of and participation in undervalued sectors or issues where credit and structural fundamentals remain solid. The objective is to create and maintain a diversified portfolio of investments that offers long-term value. Each credit deemed eligible for investment will be subject to the analytical considerations and procedures as defined in the following pages:

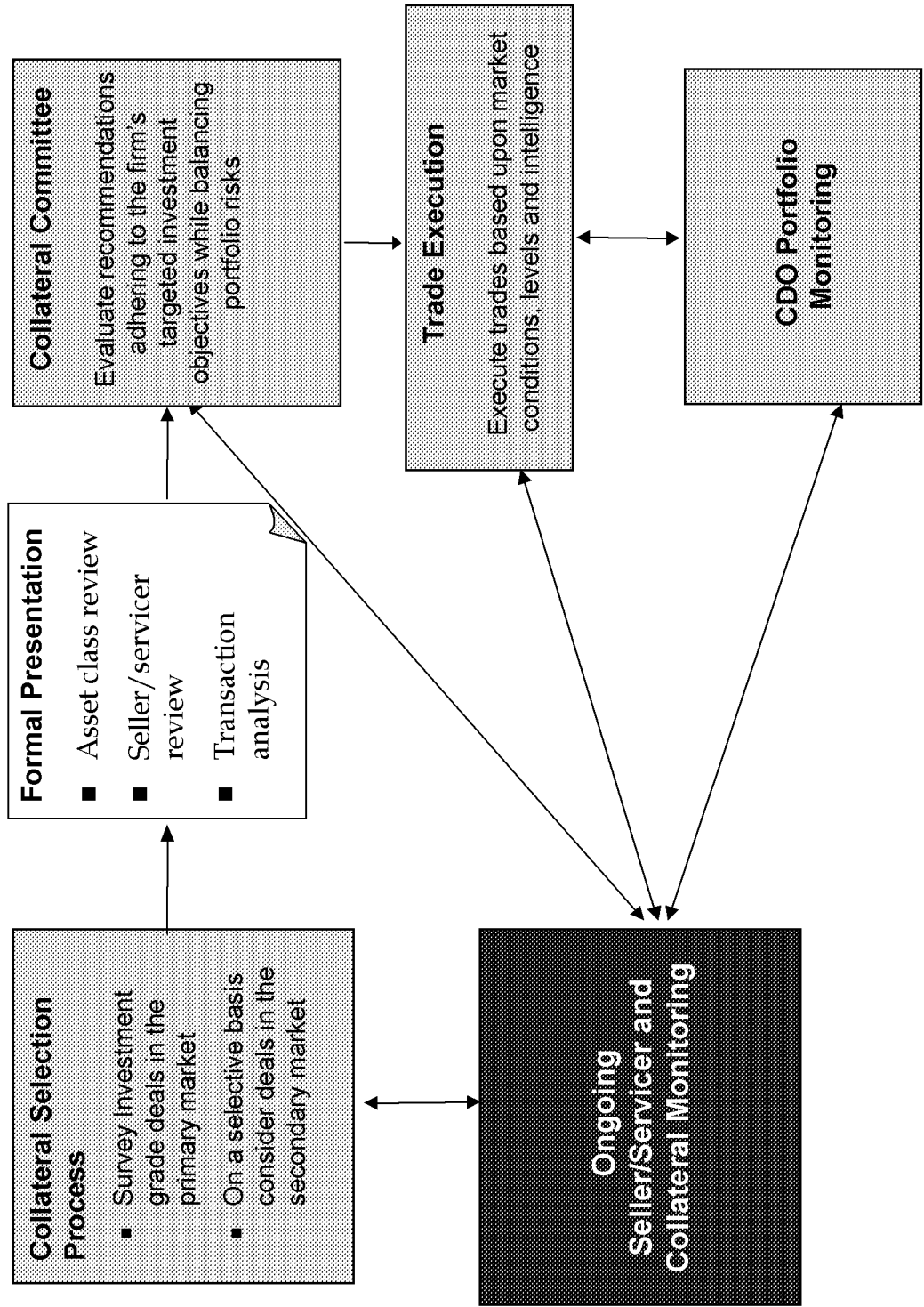
The asset-backed securities selection process requires an evaluation of the following factors:

- Asset Class Analysis
- Seller/ Servicer Analysis
- Deal Analysis:
 - ◆ Collateral Analysis
 - ◆ Structural Analysis
 - ◆ Legal Analysis
 - ◆ Relative Analysis/CDO Compliance





ABS Credit Selection Process





ABS Credit Selection Process

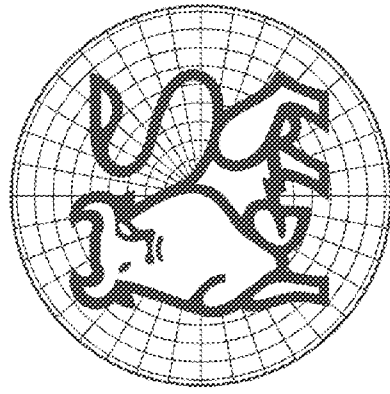
Collateral Committee Presentation:

- The industry review of the asset class, a tiered list of seller/servicers within the sector under review, an in-depth written review of transactions being considered (which is described in more depth in the next section) and all back up research documents are presented to the Collateral Committee for discussion and approval.

Collateral Committee Discussions and Voting:

- The Committee has six (5) voting members. The voting members represent senior management in the Structured Finance Department as well as a Legal Representative. A majority vote, including an affirmative vote by the committee chairperson, is required for all decisions.
- Credits approved by the committee are eligible to be included in the portfolio. The portfolio strategy team will be responsible for recommending the final portfolio shaping (relative value determination and portfolio limits).





D. ABS Credit Analysis Criteria



ABS Credit Analysis Criteria Seller/ Servicer Criteria

ACA will rank each seller/ servicer according to a tiering system with the following criteria:

Tier One	<ul style="list-style-type: none"> ■ Strong companies with established track records and proven performance
Tier Two	<ul style="list-style-type: none"> ■ Below investment grade, un-rated or private companies with established track records and proven performance
Tier Three	<ul style="list-style-type: none"> ■ Companies with material issues relating to financial strength, performance or capabilities





ABS Credit Analysis Criteria Seller/Servicer Analysis

ACA will consider the following with respect to each seller/servicer:

- Market position
- Credit and servicer ratings
- Management experience and integrity
- Business cycle risks
- Origination process: underwriting guidelines, staff experience
- Collections process: consistent and clear reporting of delinquencies and write-offs
- Industry standard collections, MIS and cash management systems
- Financial strength
 - ◆ Profitability
 - ◆ Liquidity
 - ◆ Capitalization
 - ◆ Cash flow





ABS Credit Analysis Criteria Seller/ Servicer Analysis (cont'd)

Below investment grade companies will undergo additional analysis including:

- Analysis of financial statements from the most recent three years
- Review of the parent and inter-company relationships with statements of guarantors and related companies, if any, demonstrating that inter-company relationships will not have material negative impact on transactions
- Special emphasis on events of servicing transfer and the availability of warm/hot back-up servicers





ABS Credit Analysis Criteria Collateral Analysis

- Asset Level Analysis
 - ◆ Coupon
 - ◆ Age
 - ◆ LTV
 - ◆ Credit Quality
 - ◆ Geographic Diversification
 - ◆ Obligor Diversification
 - ◆ Collateral Quality
 - ◆ Loan/Lease Characteristics
- Historical Static Pool Data: delinquencies, loss, recoveries, prepayments
- Collateral origination channel: wholesale / retail
- Portfolio growth rate, expectation of and timing of excess spread generated by the loan pool
- Set expected net losses and loss curve





ABS Credit Analysis Criteria Structural Analysis

- Analyze the first loss/spread account structure with respect to liquidity and credit
 - ◆ Over-collateralization – funding schedule, caps and floors
 - ◆ LOC
 - ◆ Spread Account
 - ◆ Recourse to Seller – seller must be investment grade in such a case
 - ◆ Use and application of excess spread for credit enhancement
 - Stress test defaults to evaluate adequacy of first loss/spread account
 - Existence of minimum floor/cap and how it is structured
 - Rate at which the spread account builds up over-time
- Triggers' effect on cashflows: loss, delinquency, yield, etc.
- First dollar loss breakeven analysis based on: prepayments, Constant Default Rate, severity, seasoning
- Residual value risk analysis
- Interest and principal payment waterfall (sequential, pro-rata, turbo)
- Seller incentives to protect servicing income
- Liquidity demands on the structure
- Analyze refinancing or tail/balloon risk in the transaction
- Seller/servicer collateral substitution rights
- Cash management
 - ◆ Collection and processing of the cash
 - ◆ Existence / duration of any commingling risk

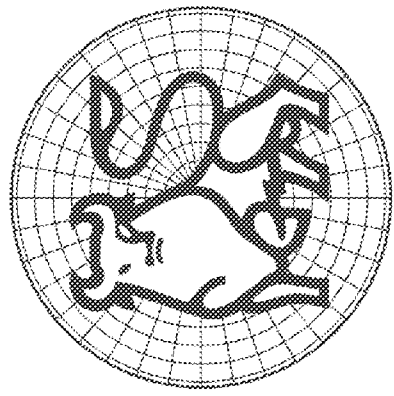




ABS Credit Analysis Criteria Relative Value of the Collateral

- Identify competing spreads for benchmark issues in this asset sector and other sectors
- Trading at premium, par or discount
- Call/Extension risk
- Determine the collateral's prepayment risk (high, medium, low)
- The effect of prepayment risk on the interest rate mismatch risk in the pool based on the structure of the hedge
- The historical past 12 month (month to month) volatility in the price of the security if available, or in securities in this asset sector
- Equity price and historical volatility on the seller/ servicer for such collateral as well as the BondScore score, if available
- Issue size/liquidity
- The collateral's fit within the diversity, maturity, yield, rating criteria of the CDO





E. Surveillance



Surveillance Surveillance and Reporting Analysis (SARA)

- Work hand-in-hand with portfolio management system to allow optimization of Risk vs. Return (Process)
- Store critical data for each credit exposure
- Tool for portfolio strategy team to monitor exposure and minimize potential negative credit developments (actual systems)
- A medium to deliver information to investors for monitoring performance of the CDO structure and portfolio

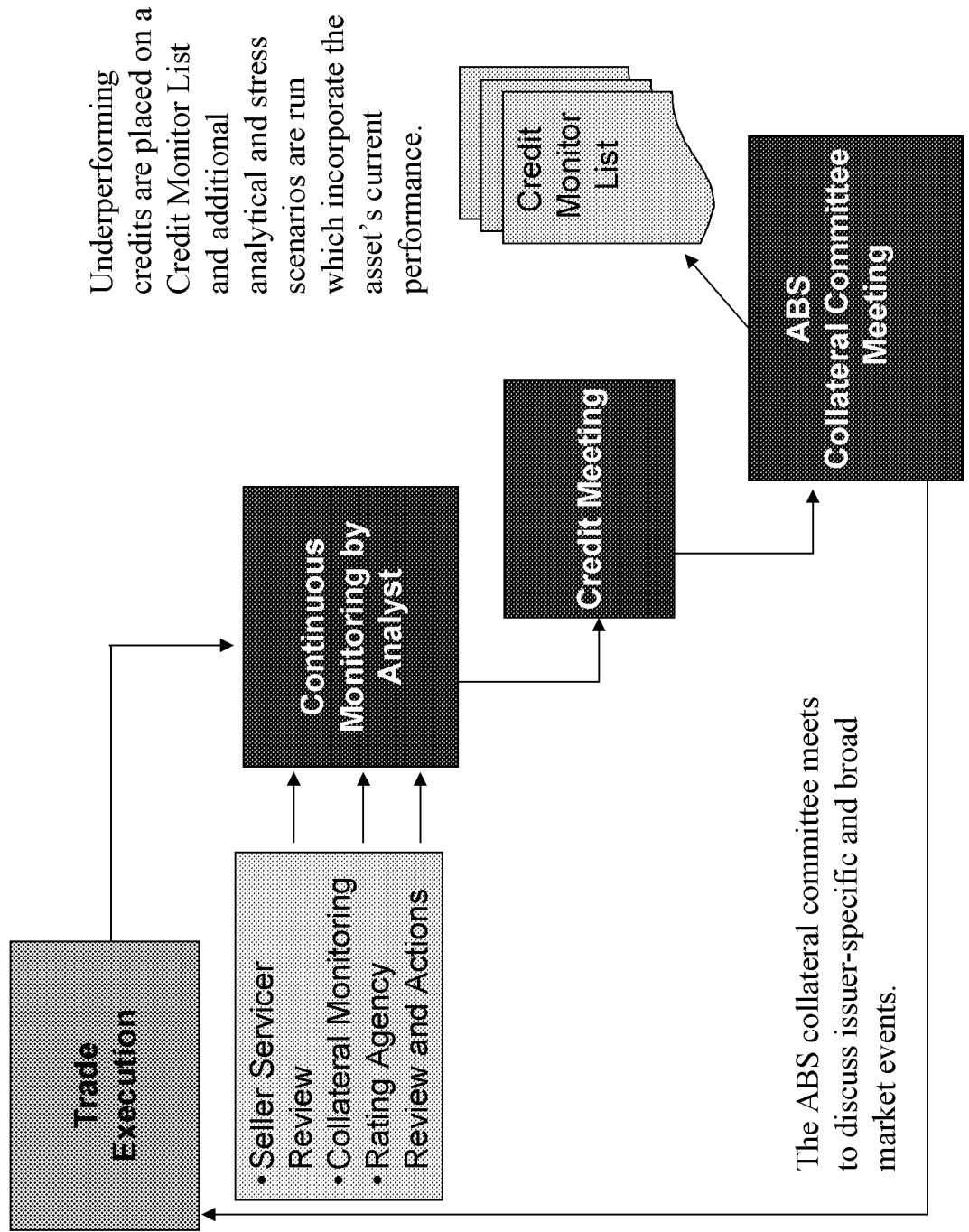
ACA has retained 100% of the equity in all of its deals to date on its own corporate balance sheet. As an equity investor, ACA is highly motivated to protect against first dollar loss and is therefore motivated to protect its note holders as well. (1)



(1) ACA has committed to purchase a substantial amount of the preference shares of ACA ABS 2004-1 and will retain at least 49% of the total amount of preference shares issued.



Surveillance ABS Collateral Level Surveillance Overview





Surveillance ABS Collateral Level Surveillance Overview (cont'd)

Monthly Review

- Analysts review monthly trustee reports on the performance of the underlying collateral constituting the securities purchased by the CDO.
 - Charts and trend line analysis on delinquencies, defaults/charge-offs, gross losses, recoveries, net losses, comparison of actual performance to expected performance
 - Trigger analysis – how far or close is the specific bond’s structure from hitting its triggers
 - Status of the spread account/first loss- what is the level, has it been reduced, how much on a month by month basis
 - First dollar loss break-even analysis
 - Most recent price from two market makers on the underlying security
 - Current rating of the security
 - Review credit watch for upgrade/downgrade
 - Rating of seller/ servicer





Surveillance ABS Collateral Level Surveillance Overview (cont'd)

Ongoing

- Analysts collect all pertinent news on issuers under their coverage and incorporate such information into the issuer performance tab in the monitoring system.
- Analysts are responsible for notifying the Portfolio Strategy Team and Collateral Committee members of any substantive events in addition to required reporting at the monthly surveillance meeting.
- Analysts review dealer research for data that will assist in performance evaluation and trading ideas for sectors and issuers they cover.
- Analysts contact dealer analysts for additional data as needed to track sector and issuer performance and maintain a file for dealer fixed-income and equity research for each issuer.
- Analysts maintain regular contact with major rating agencies and closely monitor all agency reports and announcements.





Surveillance

ABS Collateral Level Surveillance Overview (cont'd)

Seller/Servicer Monitoring

- Quarterly/Yearly Review
 - ◆ Analysts review all public information when issuers report earnings and participate in conference calls and visit seller/servicers' origination and servicing operations. If necessary, the analyst will contact the appropriate individuals at the issuer to clarify any issues not satisfactorily addressed by the earnings report and conference call. Annual due diligence site inspections are completed on all small seller/servicers and most larger ones.



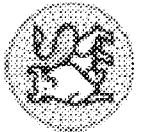


Surveillance

ACA CDO portfolio strategy team works closely with the quantitative structuring group when making trade decisions on individual credits.

Prior to execution, portfolio strategy team will evaluate at a minimum the following characteristics regarding the CDO portfolio:

- Hypothetical portfolios are created and stressed under various scenarios to calculate expected cash flows.
- Overcollateralization Triggers are recalculated under various scenarios to understand how the traded credit may affect such triggers in the immediate payment period.
- The Rating Factor Score is recalculated to understand the impact on the overall credit quality of the CDO portfolio.
- Industry and issuer concentrations are recalculated to ensure that the risk of the CDO portfolio is not exposed to one particular concentration.
- Expected cash flow to the first loss piece.
- Break even loss analysis is conducted at each CDO tranche level.
- All underlying assets of the CDO are marked-to-market.
- Compliance with all rating agency eligibility criteria and cash-flow requirements





Surveillance Information Sources and Tools

Credit Analysis

- Standard & Poor's
- Moody's Research
- CreditSights
- Fitch
- Edgar
- 10K Wizard
- Multex
- Morningstar, Hoovers, Smartmoney
- Sector Research Reports

Analytics & Cashflows

- INTEX
- Cash Flow Server (internal development)
- Deal Structuring Models (internal development)
- Capital IQ
- Compustat
- TREPP

Portfolio Management

- SARA (internal development)
- ACA CDO Portfolio Evaluator (internal development)

Collateral Data

- Bloomberg
- Lewtan/ABSNet
- Intex
- Realpoint
- TREPP





Surveillance Collateral Screening

Home | Tools | Instructions | Collateral | Trades | ACA Deals | Trade Analysis | Analysis | Trade

View ABS Collateral

ESOP Search: Find Collateral By:

Legal Name: **EXAMPLE MORTGAGE LOAN COMPANY** ACA Name: **EXAMPLE**
 Issue Date: **1/15/2004** Country where Issued: **UNITED STATES** Currency of Issue: **USD**

Servicer: **EXAMPLE MORTGAGE LOAN COMPANY** Credit Rating: Servicer Rating: Monitor Approved

Originator: **EXAMPLE MORTGAGE LOAN COMPANY** Moody's S&P: **S&P** S&P: **Aaa** Above Average CMO:

Underwriter: **MERRILL LYNCH & CO., INC.** Status: **Unreviewed** Request Approved (Y/N): **0/0**

Review Date: **1/15/2004** ALA Analyst:

Deal Structure: **Example Deal - not real data**

Description:

Tranche: **Original Face(\$M)** **Current Face(\$M)** **Coupon/Margin** **Weighted Average Purchase Price** **Weighted Average Spread** **Moody's S&P** **Risk**

Select Tranche: Margin: **0.000** Business Day Rule: **Following**

ESOP: **103456789** Registration Type: **DTC** Holiday Schedule: **New York**

ALA ID: Issue Type: **Public**

Guarantor Wrapper No: Ratings: **Staubly**

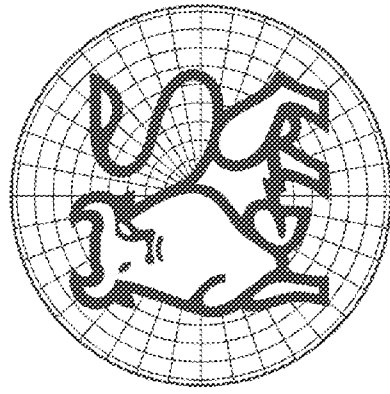
Legal Name: **EXAMPLE MORTGAGE LOAN COMPANY** ALA Asset Class: **Home Equity** Review Performance Type: **N/A**

Original Face (\$M): **200.0** ALA Asset Sub Class: Index Specified Type: **Home Equity**

Legal Issue Date: **1/15/2004**

Basic Information



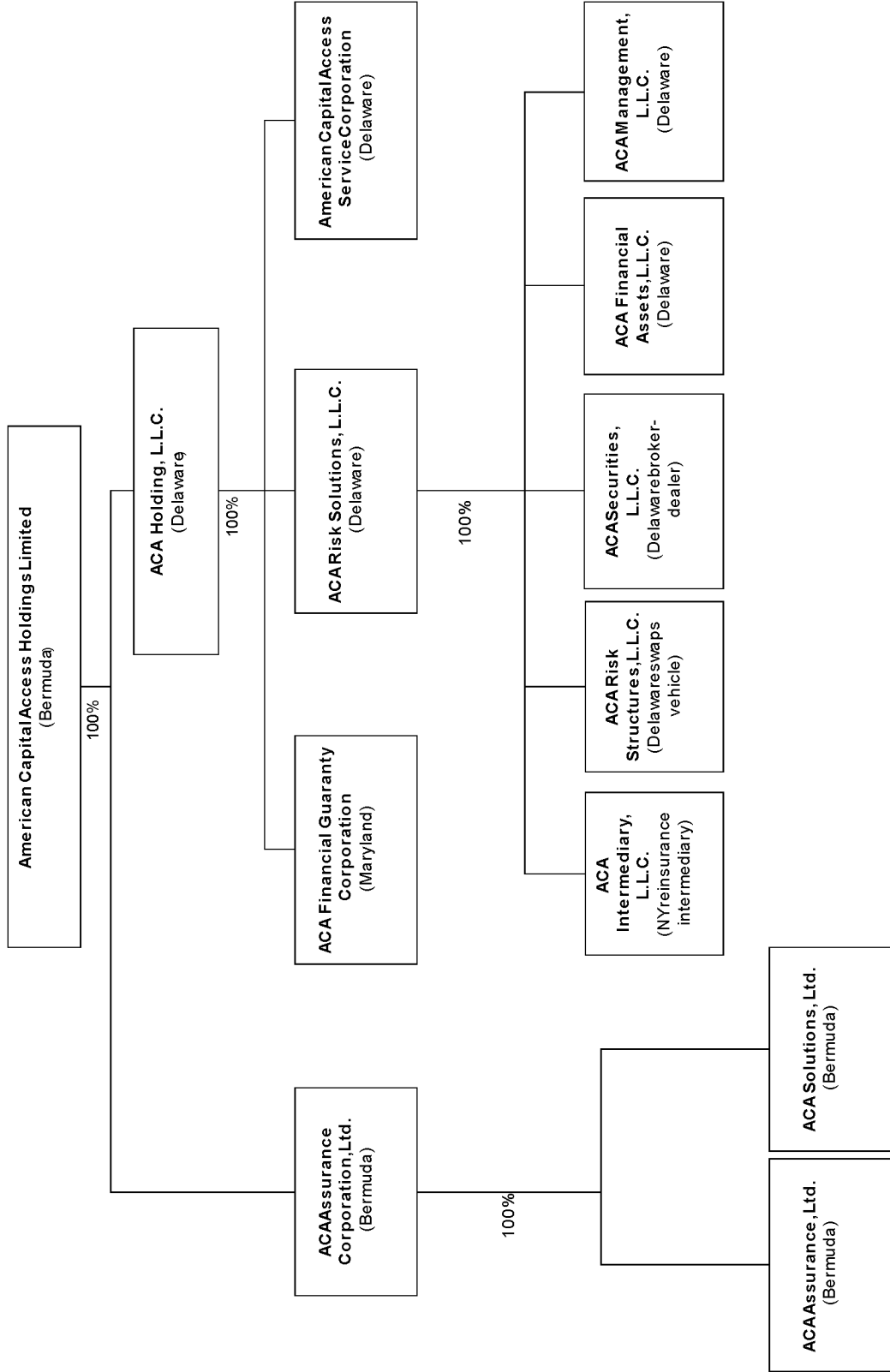


F. Organizational Chart and Key Professional Biographies



Organizational Chart and Key Professional Biographies

Corporate Structure⁽¹⁾



(1) As of March 2004





Organizational Chart and Key Professional Biographies

Corporate Organization⁽¹⁾

ACA Management

John Berylson Non-Executive Chairman
Michael Satz Deputy Chairman and CEO
Ted Gilpin Chief Financial Officer
William Tomljanovic Executive Vice President
Stephen Cooke General Counsel

Board of Directors

John Berylson Chestnut Hill Ventures LLC
Michael Satz ACA
David Barse Third Avenue Trust
Bradley Cooper Capital Z Management, LLC
Steven Gruber Oak Hill Capital Management, Inc.
Curtis Jensen Third Avenue Management LLC
Demos Kouvaris Chestnut Hill Ventures LLC
Douglas Martin Stephens Group, Inc.
Alan Roseman* ACE Financial Solutions
Mari Sadeghi Capital Z Management, LLC
Warren Stephens Stephens Group, Inc.

* Non-voting Member.

(1) As of March 2004. There is no guarantee that these individuals will continue to be employed by ACA.





Organizational Chart and Key Professional Biographies Key Professionals ⁽¹⁾

Name & Position

Comments

Michael E. Satz
*Chief Executive Officer and
Deputy Chairman*

Michael E. Satz is the Chief Executive Officer and Deputy Chairman of ACA Financial Guaranty Corp. which he joined in August 2000.

Prior to joining ACA, Mr. Satz was the founder, and Chief Executive Officer and Chairman of Capital Re Corporation from its inception in January 1988. Under Mr. Satz' management, Capital Re became the market leader for the wholesale distribution of credit enhancement and related value-added structured products. Capital Re became a NYSE listed company with its initial public offering in 1993. Capital Re's assets increased from \$85 million in 1988 to approximately \$1.5 billion in 1997.

From 1982 to 1985, Mr. Satz was the General Counsel of AMBAC, and thereafter until 1987, its Chief Operating Officer. Mr. Satz also served as a director of Global Capital Reinsurance Limited, a specialist in underwriting residual value insurance.

As a member of the first generation of senior management in the financial guaranty insurance industry, Mr. Satz was integrally involved in shaping the financial guaranty insurance business to its current form. He established the in-house legal function, authored the standard for policy wording, drafted the governing regulations for the NAIC and New York State, founded the industry trade association (the Association of Financial Guaranty Insurers) and served as its first President, and developed various "rules of engagement" for the financial guaranty insurance business.

Mr. Satz received his Bachelor's degree from Cornell University and his J.D. from Harvard Law School.



⁽¹⁾ As of March 2004. There is no guarantee that these individuals will continue to be employed by ACA.



Organizational Chart and Key Professional Biographies

Key Professionals ⁽¹⁾

Name & Position

Comments

William Tomljanovic
Executive Vice President

Bill Tomljanovic is Managing Director and Executive Vice President for ACA in the Structured Finance Group. Mr. Tomljanovic is responsible for the Company's Customized Solutions business.

Prior to joining ACA, Mr. Tomljanovic was Director for Prudential Securities responsible for originating and structuring CDOs, focusing on various asset classes including credit derivatives, high yield bonds and loans, asset-backed securities and new products. Before joining Prudential Securities, Mr. Tomljanovic worked as an independent consultant to Greenwich Street Capital Partners and Salomon Smith Barney for the creation of a \$500 million financial insurance company. From 1990-1999, Mr. Tomljanovic was with Capital Re Corporation holding various senior management positions. His most recent positions were Senior Vice President of Mortgage and Financial Lines and Vice President Global Underwriting and Special Projects. Mr. Tomljanovic was responsible for marketing and underwriting mortgage and non-traditional property and casualty products. He joined the company as an Assistant Vice President where he developed, constructed and analyzed structured finance transactions and new financial products. Mr. Tomljanovic was also Vice President and Treasurer responsible for directing corporate finance activities related to public offerings, the evaluation and execution of the company's investment portfolio strategy, coordinating rating agency relationships, directing corporate long term capital planning, tax strategy and annual financial forecasting and advising the CEO on strategic investment opportunities and potential acquisitions. Mr. Tomljanovic began his career at Chase Manhattan Bank as a Second Vice President, Corporate Accounting and Analysis/International Department.

Mr. Tomljanovic received his Bachelor's degree from Duquesne University and his MBA from Fordham University.

Laura Schwartz
Managing Director

Laura Schwartz is Managing Director of ACA, responsible for the company's ABS credit and commercial mortgage-backed securities.

Prior to joining ACA, Ms. Schwartz was a director in the Asset Backed Finance Group at Merrill Lynch responsible for the origination and execution of U.S. sub-prime residential mortgage backed securities and whole loan mortgage pool purchases. Her clients included specialty finance companies, national and regional banks, international mortgage originators, money managers, and internet originators. Ms. Schwartz was previously a director in Merrill Lynch's Global Real Estate Finance Group, responsible for origination and execution of commercial mortgage backed and residential mortgage backed securities outside of the United States with primary focus on Canada and Latin America. Transactions included single property, large loan securitization and seasoned loan portfolio securitizations including the use of derivative contracts such as interest rate, prepayment and credit default swaps. Ms. Schwartz began her career at New York Life Insurance Company as a senior analyst in the Commercial Mortgage Loans Group before becoming real estate vice president in the Mortgage Finance Group. Her last position there was as managing director in the Structured Finance Group, managing the public and private asset-backed and commercial mortgage backed securities portfolios of New York Life Insurance Company and its managed accounts.

Ms. Schwartz received her BA cum laude in Political Science from the University of Michigan and her MBA from New York University. She holds a CFA designation.



(1) As of March 2004. There is no guarantee that these individuals will continue to be employed by ACA.



Organizational Chart and Key Professional Biographies Key Professionals ⁽¹⁾

Name & Position

Comments

David Zimmer
Managing Director

David Zimmer is Managing Director of ACA and President of its Broker/Dealer subsidiary, ACA Securities. Mr. Zimmer manages the day to day functions of the trading desk sourcing both primary and secondary credits for inclusion into the firm's CDO portfolios. As President of ACA Securities, Mr. Zimmer is responsible for managing the firm's Broker/Dealer operations as well as developing distribution outlets for the products that ACA structures and underwrites, establishing a trading desk for syndication and secondary trading of the Company's deals, creating and monitoring compliance protocols, establishing and overseeing conduit and term funding facilities and general liability management for the Asset Management unit, managing systems' development to support the trading functions, and participating in the development and capital raising for Asset Management.

Prior to joining ACA, Mr. Zimmer was Director of the Credit Structured Products Group for Gen Re Securities, responsible for structuring and distributing CDO products. From 1989-2000 he was Senior Vice President of Taxable Fixed Income Sales for Prudential Securities, where he was a top producer for that firm in its distribution efforts of structured products and mortgage-backed securities to institutional clients. Before joining Prudential, Mr. Zimmer was an institutional salesman for First Boston. His responsibilities included covering bank portfolio clients for fixed-income mortgage-backed securities and structured finance products. Mr. Zimmer began his career in financial services in 1985 as an investment manager and arbitrage trader for Comerica Bank. Mr. Zimmer comes to ACA with over 15 years experience in fixed-income sales.

Mr. Zimmer received a Bachelor's degree in civil engineering from the University of Dayton and his MBA from Notre Dame. He also holds a CFA designation.

Joseph M. Pimbley
Managing Director

Joseph Pimbley is Managing Director in the Structured Finance group with a primary responsibility for risk management models.

Prior to joining ACA Management, Dr. Pimbley was Senior Vice President, Credit Derivative Product Manager, for the capital markets subsidiary of the Sumitomo Mitsui Banking Corporation. His duties included business development, the construction of models for pricing and risk management, creation of necessary trading and operational systems, and trade execution. Prior to joining Sumitomo Dr. Pimbley served as Senior Risk Manager for GE Capital (at the Financial Guaranty Insurance Company subsidiary) where he was responsible for risk management in the firm's financial services for municipalities. In 1994 he was a senior analyst at Moody's Investors Service responsible for rating and rating research in structured notes, credit derivatives, collateralized loan obligations, special purpose vehicles, and similar "exotic" instruments and structured finance initiatives. From 1993 to 1994 he held the title of assistant vice president at Citibank where he was primarily responsible for computing the credit risk of all types of derivative transactions. Dr. Pimbley began his career as a physicist and electrical engineer at the GE Research & Development Laboratory from 1980 to 1987. In the period spanning 1987 to 1993, Dr. Pimbley served as an assistant professor of (applied) mathematics at Rensselaer Polytechnic Institute (RPI).

Dr. Pimbley earned the BS, MS, and Ph.D. degrees in theoretical physics from the Rensselaer Polytechnic Institute (RPI).



(1) As of March 2004. There is no guarantee that these individuals will continue to be employed by ACA.



Organizational Chart and Key Professional Biographies Key Professionals (1)

Name & Position

Comments

Stephen Cooke
*Managing Director,
General Counsel*

Stephen Cooke is Managing Director and General Counsel for ACA.

Prior to joining ACA, Mr. Cooke was special counsel in the corporate/mergers & acquisitions department of Cadwalader, Wickersham & Taft, focusing on insurance-related capital markets transactions, representing domestic and international insurers, reinsurers, corporations and financial institutions. He specializes in insurance regulatory issues relating to capital markets transactions. Mr. Cooke was instrumental in the successful efforts of the financial guaranty insurance industry to secure the enactment of major amendments to New York's financial guaranty insurance law that facilitated the ensuing growth of insured structured finance and derivative transactions, domestically and internationally. Before joining Cadwalader, Mr. Cooke was Managing Director and General Counsel at Ambac Assurance Corporation.

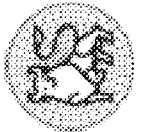
Mr. Cooke received his J.D. degree from Harvard Law School and his undergraduate degree, cum laude, from Harvard College. He is admitted to practice in the State of New York and is a member of the Insurance Law Committee of the Association of the Bar of the City of New York as well as the American Bar Association and New York State Bar Association.

Eli Boyajian
*Managing Director and
Chief Information Officer*

Eli Boyajian is Managing Director and Chief Information Officer, responsible for IT strategies that support ACA's competitive differentiation and provide flexible and responsive IT platforms aligned to the Company's businesses.

Prior to joining ACA, Mr. Boyajian was Senior Vice President, Information Technology Practice for Handy HRM Corp., an executive search firm. From 1986-1997, he was Chief Information Officer and Senior Vice President for Enhance Financial Services Group. Mr. Boyajian was a founding member of the Company and built scalable mission critical systems during the private placement capitalization phase and subsequent technology operations at the Company's New York location. He served as a member of the Board for Guaranty Risk Services, Inc., a wholly owned subsidiary that focused on providing triple A-rated credit enhancement to real estate backed bonds. Before joining Enhance, Mr. Boyajian was Vice President and Director, MIS for FGC Services Inc., a financial guaranty broker. Earlier in his career, he served as Captain and Chief, Clinical Automation Branch for Tripler Army Medical Center in Honolulu and Captain and Chief, Systems Engineering Activity for Walter Reed Army Institute of Research in Washington DC. Mr. Boyajian has over 15 years experience in corporate information technology.

A graduate of Washington & Jefferson College with a BA in Biology, Mr. Boyajian holds an MS in biomedical engineering from Rensselaer Polytechnic Institute.



(1) As of March 2004. There is no guarantee that these individuals will continue to be employed by ACA.



Organizational Chart and Key Professional Biographies

Key Professionals ⁽¹⁾

Name & Position

Comments

Lisa Mumford
Managing Director

Lisa Mumford is a Managing Director in the Structured Finance Group of ACA. She is responsible for Portfolio Administration and Operations

Prior to joining ACA, Ms. Mumford was with Ace Guaranty Corp. Her most recent position was Senior Vice President and Chief Financial Officer. From 1988-1999 Ms. Mumford served as Controller at Capital Re, (prior to its acquisition by Ace Limited), responsible for developing and maintaining a system of internal controls designed to insure integrity of the company's financial statements as well as safeguard the companies assets. She began her career with Coopers & Lybrand, as an Audit Supervisor.

Ms. Mumford is a member of the American Institute of Certified Public Accountants and holds a BBA in Accounting from Hofstra University.

Ava Borbely
Vice President

Ava Borbely is Vice President in the Structured Finance Group of ACA. She is responsible for the student loan and CDO asset classes as well as analysis and credit approval for ACA's asset management activities. Ms. Borbely also participates in documentation and deal execution on the ABS CDOs.

Prior to joining ACA, Ms. Borbely worked in the Credit Structured Products Group at Gen Re Securities working to expand Gen Re's capabilities into structured finance through proprietary and third party CDOs. Before joining Gen Re, she was an Investment Banking Analyst with Prudential Securities in the CDO Group where her responsibilities included marketing presentations to clients as well as assistance in deal execution.

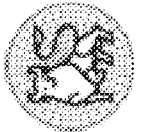
Ms. Borbely received her Bachelor's degree in Finance from Boston University in 1999.

Vimal Shah
Vice President

Vimal Shah is a Vice President in the Structured Finance Group of ACA. He is responsible for non-residential consumer assets and CDO analysis and credit approval for ACA's asset management activities.

Prior to joining ACA, Mr. Shah was a Director in the Asset-Backed Securities Group of Banc One Capital Markets, serving as an investment banker on asset and mortgage backed transactions with responsibilities for managing client relationships. Before joining Banc One, Mr. Shah served in various positions for FITCH Inc. His most recent position was Vice President of Asset-Backed Securities, co-managing the ABS Group of the Chicago office with staff of 15 people. His responsibilities included group P&L, marketing services, credit rating and monitoring transactions, and developing credit rating criteria. Mr. Shah began his career as a Financial Analyst with Ernst & Young LLP.

Mr. Shah received his Bachelors degree in Business Administration from Rhodes College and an MBA from Harvard Business School. He holds a CFA designation.



(1) As of March 2004. There is no guarantee that these individuals will continue to be employed by ACA.



Organizational Chart and Key Professional Biographies

Key Professionals ⁽¹⁾

Name & Position

Comments

W. Philip Wubbena
Vice President

Philip Wubbena is a Vice President for ACA in its Structured Finance Group. Mr. Wubbena is responsible for residential MBS and home equity analysis and credit approval for ACA's asset management activities.

Prior to joining ACA, Mr. Wubbena was an Analyst with Moody's Investors Service, responsible for the analysis of complex structured finance transactions backed by various types of collateral. While at Moody's, he co-authored the Manufactured Housing 2001 Year-end Review and 2002 Outlook and Moody's Home Equity Index, as well as developed rating criteria for Manufactured Housing Net Interest Margin transactions and ascribing benefit for third-party due diligence. Before joining Moody's, Mr. Wubbena was a Consultant for Enigma Concepts, Inc., advising the firm president on all financial matters. Prior to Enigma, he was a Manager for T. Rowe Price Associates, Inc. and an Assistant Vice President in the Consulting Marketing Group at ASB Capital Management, Inc. Mr. Wubbena began his career at The Union Labor Life Insurance Company as a Marketing Research Analyst.

Mr. Wubbena received his Bachelors degree in Economics from the University of Maryland and his MBA from Loyola College.

Keith Gorman
Associate

Keith Gorman is an Associate in the Structured Finance and Asset Backed Securities Credit Department of ACA.

Prior to joining ACA, Mr. Gorman was an analyst with FitchRatings, working on asset-backed securities including sub-prime mortgage, manufactured housing, and net interest margin transactions. He began his career as an analyst with Lewtan Technologies.

Mr. Gorman holds a B.S. as well as an M.A. in Economics from the University of Delaware.

Danielle Zhu
Associate

Danielle Zhu is an Associate in the Structured Finance Group of ACA. She is responsible for the surveillance functions housed within ABS credit.

Prior to joining ACA, Ms. Zhu worked in the Global Industrial Group within the Corporate Finance division at Morgan Stanley. She was an Investment Banking Financial Analyst where her responsibilities included deal execution and client presentations in M&A, equity and debt products.

Ms. Zhu received her Bachelor's degree in Economics from University of Chicago.



(1) As of March 2004. There is no guarantee that these individuals will continue to be employed by ACA.



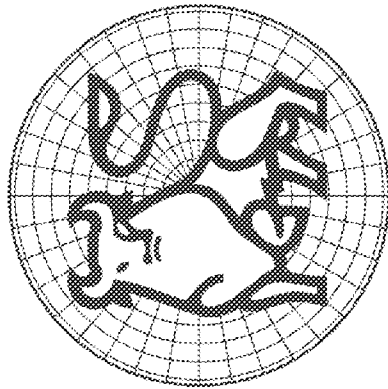
Organizational Chart and Key Professional Biographies Key Professionals ⁽¹⁾

Name & Position	Comments
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Jamil Nathoo <i>Analyst</i>	<p>Jamil Nathoo is an Analyst in ACA's Structured Finance Group in the capacity of Assistant Trader.</p> <p>Prior to joining ACA, Mr. Nathoo was a Research and Development Analyst in the Software Group of IBM Canada where he designed and implemented a business plan for worldwide e-service. As an undergraduate, Mr. Nathoo worked as a leasing broker with Omni Equipment Leasing in Vancouver.</p> <p>Mr. Nathoo received his BA in Economics from the University of Western Ontario.</p>
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(1) As of March 2004. There is no guarantee that these individuals will continue to be employed by ACA.



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 "PFHC"), as well as a PFIC.
 - The issuer will be a PFHC if five or fewer US citizens or resident individuals own more than 50% of the Preferred Shares. If the issuer is a PFHC, 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 PFHC 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 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 (ii) 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



May 2004
Final Information
ACA ABS 2004-1, Ltd.

THE OFFERING:

\$[450] million Collateralized Debt Obligation ("CDO") Notes and Preferred Shares issued by ACA ABS 2004-1, Ltd.



INVESTMENT ADVISOR:

ACA Management, L.L.C. ("ACA Management"), a wholly owned subsidiary of American Capital Access ("ACA")

	CLASS A-1 NOTES ⁽¹⁾	CLASS A-2 NOTES ⁽¹⁾	CLASS B NOTES ⁽¹⁾	CLASS C1 NOTES ⁽¹⁾	CLASS C2 NOTES ⁽¹⁾	PREFERRED SHARES ⁽¹⁾
Principal	\$315,000,000	\$49,500,000	\$47,250,000	\$18,375,000	\$3,000,000	\$16,500,000
Percentage	70.0%	11.0%	10.5%	4.1%	0.7%	3.7%
Coupon Type	Floating	Floating	Floating	Floating	Fixed	Residual
Coupon	3ML+37bps	3ML+65 bps	3ML+95 bps	3ML+325 bps	7.70%	
Expected Rating	Aaa/AAA/AAA	Aaa/AAA/AAA	Aa2/AA/AA	Baa2/BBB/BBB	[NR]	[NR]
Rating Agency	Moody's/S&P/Fitch	Moody's/S&P/Fitch	Moody's/S&P/Fitch	Moody's/S&P/Fitch		
Average Life ⁽²⁾	5.0 yrs.	[7.0] yrs.	7.8 yrs.	5.2 yrs. ⁽³⁾	5.2 yrs. ⁽³⁾	
Stated Maturity	May 2039	May 2039	May 2039	May 2039	May 2039	May 2039
Denomination ⁽¹⁾	\$1,000,000 minimum \$1,000 increments	\$1,000,000 minimum \$1,000 increments	\$1,000,000 minimum \$1,000 increments	\$1,000,000 minimum \$1,000 increments	\$250,000 minimum \$25,000 increments	\$250,000 minimum \$25,000 increments

(1) Payments on the Notes and Preferred Shares will be made quarterly.

(2) Based on a 8 year auction call.

(3) Based on an actual weighted average spread of 2.25%. Assuming a minimum weighted average spread of 2.15%, the Average Life is 5.7 years.

STRUCTURE

Issuer: ACA ABS 2004-1, Ltd.
Investment Advisor: ACA Management
Anticipated Closing Date: May 27, 2004
Coupon Payment Dates: Quarterly, beginning October 10, 2004
Ramp-Up Period: At least 75% of the Collateral Portfolio is expected to be purchased or identified at 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. This is a static transaction.
"RAPID" Features:
 I. Principal amortization will be used to pay down the Notes on a sequential basis.
 II. Until the Class C Notes are fully paid down, the dividend on the Preference Shares will be capped at a dividend yield of [15%] and the excess cashflows will be used to pay down the Class C Notes.
Mandatory Auction Call: [8] years

COVERAGE TESTS

	O/C Tests	Initial O/C	I/C Tests	Initial I/C
Class A/B	104.25%	109.3%	115.00%	146.0% ⁽¹⁾
Class C	101.00%	103.9%	110.00%	128.5% ⁽²⁾

(1) Based on an actual weighted average spread of 2.25%. Assuming a minimum weighted average spread of 2.15%, the Initial Class A/B I/C is [141.4%]

(2) Based on an actual weighted average spread of 2.25%. Assuming a minimum weighted average spread of 2.15%, the Initial Class C I/C is [124.5%]

FEES AND EXPENSES

Senior Management Fee: 15 bps per annum
 Subordinated Management Fee: (payable after interest on the Class C Notes) 10 bps per annum
 Incentive Fee: 20% of the cashflows once an IRR of 15% is achieved
 Closing Fees and Expenses ⁽¹⁾

(1) There will be certain up-front closing fees associated with this transaction including Merrill Lynch structuring and placement fees, legal, agency, and other fees.

COLLATERAL CHARACTERISTICS

- Minimum Weighted Average Coupon: 5.75%
- Minimum Weighted Average Spread: 2.15%
- Maximum WARF: ⁽¹⁾ 400
- Target WARF: 360
- Minimum Diversity Score: ⁽¹⁾ 16
- Maximum Single Servicer Concentration: ⁽²⁾ 7.50%
- Below Baa3 Bucket: ⁽³⁾ 10%
- Maximum Weighted Average Life: 6.25 Years
- Maximum Single Issuer Concentration: ⁽⁴⁾ 1.75%

(1) Based on a WARF-Diversity Score matrix

(2) With some exceptions (yet to be determined)

(3) Used solely for ratings migration purposes. All of the collateral must be rated investment grade by at least one Rating Agency at Closing

(4) With up to 10 exceptions at 2.5%

Global Structured Products	CDO Marketing/Global Structured Products	ABS Trading and Syndicate
	<i>Institution Clients</i>	<i>Global Private Clients</i>
Christopher Ricciardi (212) 449-9638	US: Doug Mallach (212) 449-6190	Joe Aglione (212) 449-5383
Harin De Silva (212) 449-9359	Canada: Barry Dennis (212) 449-0394	Cliff Lanier (212) 449-5383
Sharon Ellran (212) 449-7802	Europe: Bill Berry 44-20-7995-4678	Marie Walsh (212) 449-5383
Julie Cutler (212) 449-0196	Asia: Taro Masuyama 81-3-3213-7473	Marco Pavoncelli +44-207-996-3743
		<i>Institutional Advisory Division</i>
		Mike Foggia (212) 449-6190

Global Structured Products

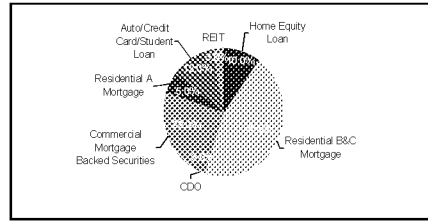
Why Invest in Structured Finance Securities?

Structured Finance Securities including ABS, RMBS, CMBS, and CDOs have historically exhibited lower default rates, higher recovery upon default and better rating stability than comparably rated corporate bonds. Consequently, CDOs consisting of Structured Finance Securities have outperformed other CDO types.⁽¹⁾

- According to a recent Moody's study, the long-term historical average (1983-2003) of unchanged ratings of structured finance securities was 92.3%, which compares favorably to the 76.6% average of unchanged ratings of corporate bonds for the same period.⁽¹⁾
- Structured Finance Securities have historically had an average recovery rate of 58%⁽²⁾ compared to approximately 35% for corporate bonds.⁽³⁾

(1) Structured Finance Rating Transitions: 1983-2003, Moody's Investors Service, February 2004.
 (2) Moody's Investors Service, "Measuring Loss Severity Rates of Defaulted Residential Mortgage Backed Securities", April 2004.
 (3) Moody's Investors Service, "Default & Recovery Rates of Corporate Bond Issuers", January 2004.

REPRESENTATIVE PORTFOLIO*



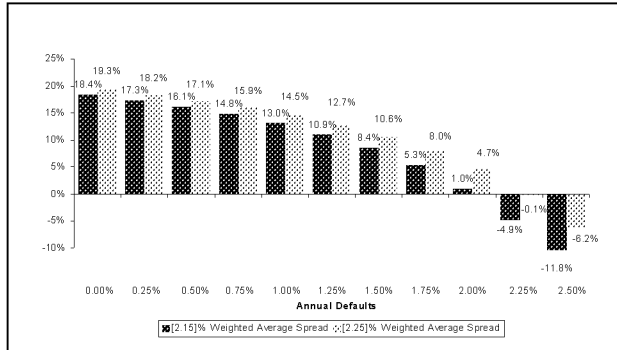
* For illustrative purposes only. Subject to change.

About ACA⁽¹⁾

- ACA is an 'A' rated financial insurance company formed in 1997 with \$8.0 billion net par insured as of 9/30/03.
- ACA Management is an experienced ABS/CDO investor and CDO manager with 4 CDO's collateralized by structured finance securities currently under management.
 - ACA ABS 2002-1, a \$400 million, multi-sector CDO collateralized by ABS, RMBS and CMBS
 - ACA ABS 2003-1, a \$400 million, multi-sector CDO collateralized by ABS, RMBS and CMBS
 - Grenadier Funding, a \$1.5 billion High Grade ABS CDO
 - ACA ABS 2003-2, a \$725 million, multi-sector CDO collateralized by ABS, RMBS and CMBS
- ACA has committed to purchase a substantial amount of the preference shares and will retain at least 49% of the total amount of preference shares issued.

(1) Source: ACA

PROJECTED IRR ON PREFERENCE SHARES*



* Recovery Assumptions 60%, see Collateral Characteristics on the previous page

Class Description (Moody's/S&P/Fitch)	Based on a Break in Yield		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)	[18.6]%	[64.9]%	[30.2]%	[81.3]%
Class A-2 Second Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[11.7]%	[48.5]%	[14.4]%	[55.7]%
Class B Third Priority Senior Floating Rate Notes (Aa2/AA/AA)	[6.5]%	[31.0]%	[9.0]%	[40.1]%
Class C Fourth Priority Mezzanine Floating Rate Notes (Baa2/BBB/BBB)	[3.3]%	[17.2]%	[4.6]%	[23.1]%

(1) Assumes 60% recoveries with a 6 month lag, forward LIBOR and a weighted average spread of [2.25]%

Class Description (Moody's/S&P/Fitch)	Based on a Break in Yield		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)	[18.3]%	[64.4]%	[29.9]%	[81.0]%
Class A-2 Second Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[11.5]%	[47.9]%	[14.2]%	[55.2]%
Class B Third Priority Senior Floating Rate Notes (Aa2/AA/AA)	[6.3]%	[30.2]%	[8.8]%	[39.4]%
Class C Fourth Priority Mezzanine Floating Rate Notes (Baa2/BBB/BBB)	[3.1]%	[16.2]%	[4.4]%	[22.2]%

(2) Assumes 60% recoveries with a 6 month lag, forward LIBOR and a weighted average spread of [2.15]%

THIS SUMMARY OUTLINES CERTAIN CHARACTERISTICS OF A PROPOSED COLLATERALIZED DEBT OBLIGATION TRANSACTION ("CDO"). THIS SUMMARY IS A SUMMARY OF THE "CONFIDENTIAL DISCUSSION MATERIAL - ACA ABS 2004-1" (THE "CONFIDENTIAL DISCUSSION MATERIAL") AND SHOULD BE READ IN CONJUNCTION THEREWITH, INCLUDING "SECTION 7 - TRANSACTION HIGHLIGHTS" THEREOF. THIS MATERIAL IS PRESENTED SOLELY FOR PURPOSES OF DISCUSSION, TO DETERMINE PRELIMINARY INTEREST IN INVESTING IN A TRANSACTION WITH THE GENERAL CHARACTERISTICS DESCRIBED. THIS TRANSACTION IS AT A STRUCTURING PHASE AND THERE MAY BE MATERIAL CHANGES TO THE STRUCTURE AND COLLATERAL PRIOR TO THE SECURITIES BEING OFFERED (SUCH SECURITIES, THE "OFFERED SECURITIES"). UNDER NO CIRCUMSTANCES IS THIS PRESENTATION TO BE USED OR CONSIDERED AS AN OFFER TO SELL, OR A SOLICITATION OF ANY OFFER TO BUY, ANY SECURITY. ANY SUCH OFFERING MAY BE MADE ONLY BY THE OFFERING CIRCULAR. THE INFORMATION CONTAINED HEREIN IS IN SUMMARY FORM FOR CONVENIENCE OF PRESENTATION. 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