

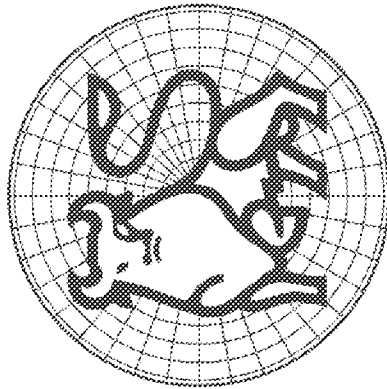
Kleros

PREFERRED FUNDING

Managed by:

Strategos Capital Management, LLC

May 2005



Global Markets & Investment Banking Group

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FINANCIAL, LLC**

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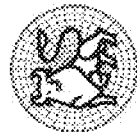
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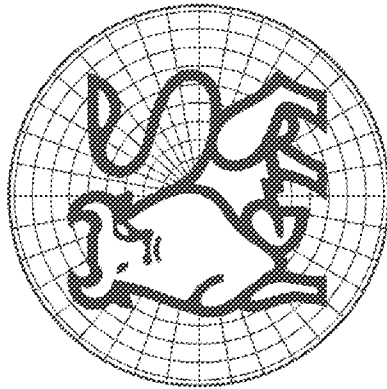
Table of Contents

1. Transaction Summary
2. Asset Class Selection
 - A. Structured Finance Market Overview
 - B. Kleros Preferred Funding Portfolio
3. Transaction Highlights
4. Risk Factors
5. About the Collateral Manager
 - A. Introduction to Strategos CDO Management
 - B. Strategos Capital Management, LLC
 - C. Investment Process
 - D. Cohen Bros. Financial, LLC Credentials
 - E. Biographical Information
6. Tax Considerations
 - Appendix A: Collateral Cashflow Formulas
 - Appendix B: Additional Definitions





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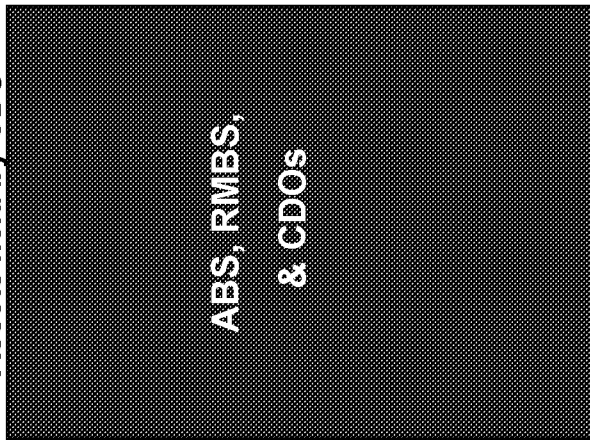
1. Transaction Summary



Transaction Summary

- Kleros Preferred Funding, Ltd. (“Kleros”) plans to issue \$[1007.0] MM ABS CDO securities (the “Offered Securities”). Kleros is a newly formed collateralized debt obligation (“CDO”) that will be managed by Strategos Capital Management, LLC (“Strategos” or the “Collateral Manager”).
- Residential Mortgage Backed Securities (“RMBS”), Commercial Mortgage Backed Securities (“CMBS”), Asset Backed Securities (“ABS”) and, together with RMBS and CMBS, “Structured Finance Securities”, and Collateralized Debt Obligations (“CDOs”)⁽¹⁾ have historically exhibited lower loss rates, higher recovery rates upon default and better stability when compared to corporate bonds with similar ratings.⁽²⁾
- Kleros will issue the following classes of Offered Securities to be backed by investments primarily in [AAA], [AA], and [A]-rated ABS, RMBS, and CDOs:

Assets held by CDO



Securities issued by CDO

\$100.0MM Class A [AAA]
\$88.0MM Class AC [AAA/AA/AAA] (Moody's/S&P/Fitch)
\$40.0MM Class B [AA/AAA] (Moody's/S&P/Fitch)
\$13.0MM Class C [A3/A-3] (Moody's/S&P/Fitch)
\$8.5MM Class D [Baa2/BBB/BBB] (Moody's/S&P/Fitch)
\$15.5MM Preferred Shares

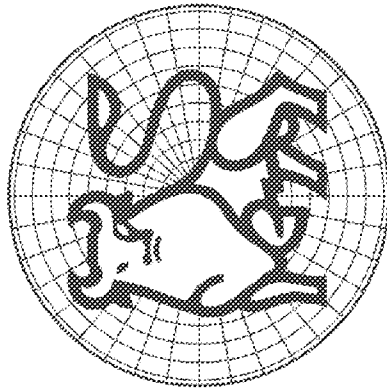
(1) These CDOs already exist as investment vehicles. They should not be confused with the Offered Securities.

(2) See Structured Finance Market Overview Section for details, or Standard and Poor's, "Rating Transitions 2004: Global CDO Rating Trends Show Improvement", January 21, 2005; "Rating Transitions 2004: U.S. CMBS Upgrades Overwhelm Downgrades Amid Improved Real Estate Fundamentals", January 13, 2005; "Rating Transitions 2004: U.S. ABS Rating Stability Improves Despite Adverse Behavior of Manufactured Housing Securities", January 20, 2005; "Rating Transitions 2004: U.S. RMBS Stellar Performance Continues to Set Records", January 21, 2005; Moody's Investors Service, "Structured Finance Rating Transitions: 1983-2004", February 2005, "Default & Loss Rates of Structured Finance Securities: 1993-2003", September 2004.

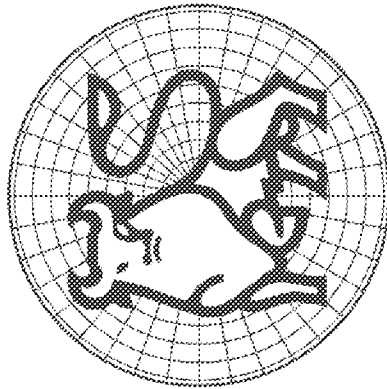




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2. Asset Class Selection



A. Structured Finance Market Overview



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Structured Finance Market Overview Historical Defaults⁽¹⁾

S&P and Moody's data shows that, historically, very few Aaa/AAA, Aa/AA, and A/A-rated Structured Finance CDOs and RMBS securities have defaulted⁽²⁾⁽³⁾

For Aaa/AAA,
Aa/AA, A/A⁽⁴⁾



Hypothetical Portfolio one-year historical average default rate⁽⁵⁾ <0.01%
Hypothetical Portfolio one-year average default rate⁽⁵⁾ <0.01%

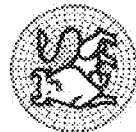
(1) Certain of the information contained has been obtained from third-party sources and neither Merrill Lynch nor any of its affiliates nor Strategos nor any of its affiliates makes any representation or warranty, express or implied as to the accuracy or the completeness of such information. Certain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

(2) Source: Standard and Poor's, "Rating Transitions 2004: U.S. RMBS Stellar Performance Continues", January 21, 2005

(3) Source: Moody's, "Credit Migration of CDO Notes, 1996-2003, for US and European Transactions", March 4, 2004

(4) Assumes hypothetical portfolio consisting of the following allocation: 20% "Aaa/AAA" RMBS, 35% "Aa/AA" RMBS, 25% "Aa/AA" SF CDOs, and 20% "A/A" RMBS.

(5) Assumes 1978-2004 for RMBS and 2000-2003 for SF CDOs



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Structured Finance Market Overview Historical Recovery Rates of RMBS/HEL (1) (2)

- A Moody's study on recovery rates of RMBS and HEL collateral ("Structured Finance Securities") has concluded the following: (3)
 - A rated RMBS/HEL Securities have historically had an average recovery rate of 83% for bonds that have not matured. (4)
 - Aa rated RMBS/HEL Securities have historically had an average recovery rate of 93% for bonds that have not matured. (4)
 - Aaa rated RMBS/HEL Securities have historically had an average recovery rate of 98% for bonds that have not matured (4)
- RMBS/HEL Securities may receive more substantial cashflow than corporate bonds with respect to interest and principal after a default.

(1)

Source: Moody's Investors Service, "Default & Loss Rates of Structured Finance Securities: 1993-2003" September 2004.

(2)

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(3)

Data in all three cases is based on a limited number of defaults. Moody's records the number of defaulted RMBS/HEL Securities that originated as Aaa, Aa, and A as 12, 29, and 16, respectively.

(4)

Data for recovery rates are updated through April, 2004, with defaults identified as of December 31, 2003. Only defaulted and uncured securities were included in the study. Loss severity rates for all defaulted securities, including cured ones, would lead to lower estimates.



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Structured Finance Market Overview

Rating Stability ⁽¹⁾ ⁽²⁾

According to a recent Moody's study, the long-term historical average (1991-2004) of unchanged ratings of Structured Finance Securities ⁽³⁾ was 92.3%.

Structured Finance Securities (2004 only)

Rating from:	Rating to:					Caa or below	
	Aaa	Aa	A	Baa	Ba		B
Aaa	99.15%	0.33%	0.22%	0.09%	0.11%	0.08%	0.03%
Aa	6.67%	90.52%	1.46%	0.39%	0.18%	0.30%	0.48%
A	1.45%	4.56%	91.30%	1.55%	0.52%	0.17%	0.45%

Structured Finance Securities (1983 – 2004)

Rating from:	Rating to:					Caa or below	
	Aaa	Aa	A	Baa	Ba		B
Aaa	98.97%	.69%	0.20%	0.07%	0.03%	0.02%	0.03%
Aa	5.70%	91.01%	2.12%	0.71%	0.19%	0.13%	0.15%
A	1.12%	2.85%	93.83%	2.05%	0.66%	0.24%	0.25%

(1) Source: "Structured Finance Rating Transitions: 1983-2004", Moody's Investors Service, February 2005.

(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".

(3) For the purposes of this study, "Structured Finance Securities" includes ABS, CMBS, RMBS and CDOs of all ratings.



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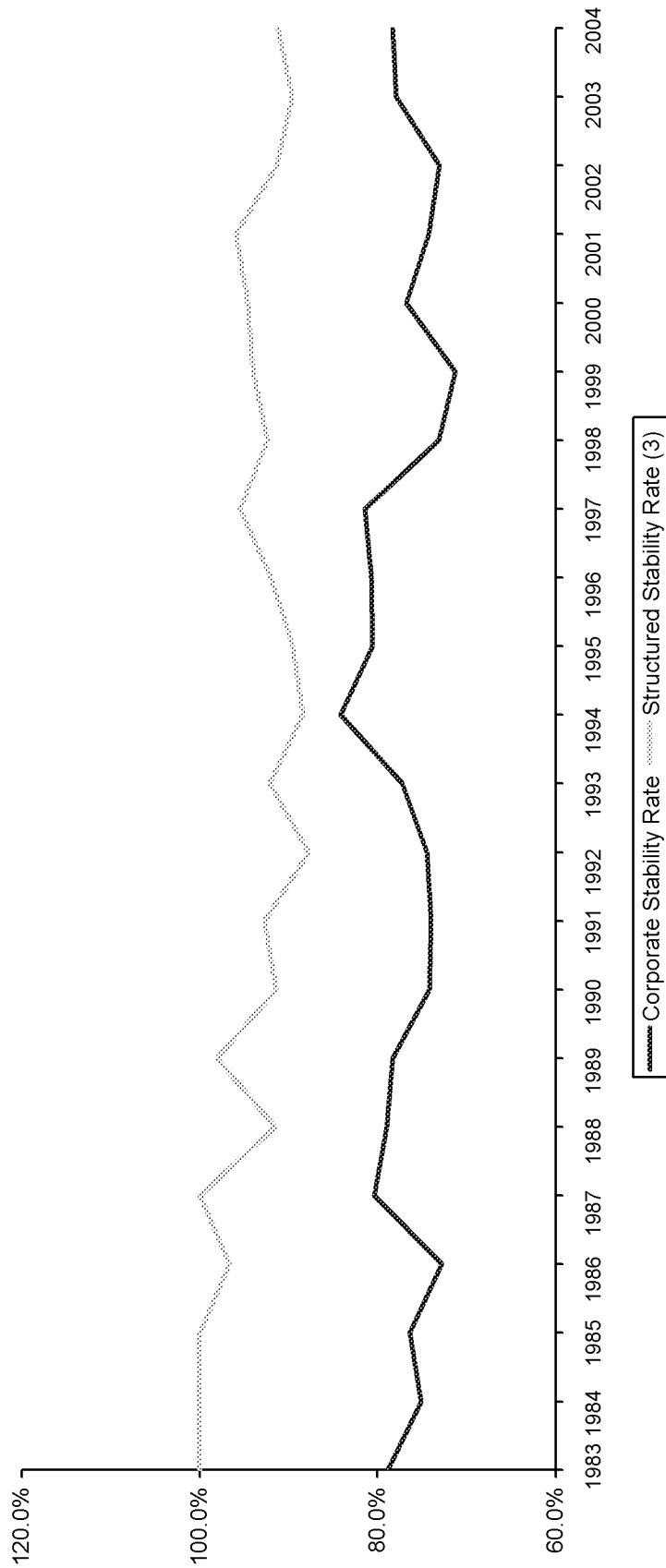


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Structured Finance Market Overview

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

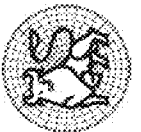
Rating stability in Structured Finance Securities and CDOs was more than 10 percentage points higher than in corporate bonds in 2004. It has been higher since 1983.



(1) Source: "Structured Finance Rating Transitions: 1983-2004", Moody's Investors Service, February 2005.

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(3) "Structured" refers to Structured Finance Securities including CDOs. Past Performance does not always predict future results.



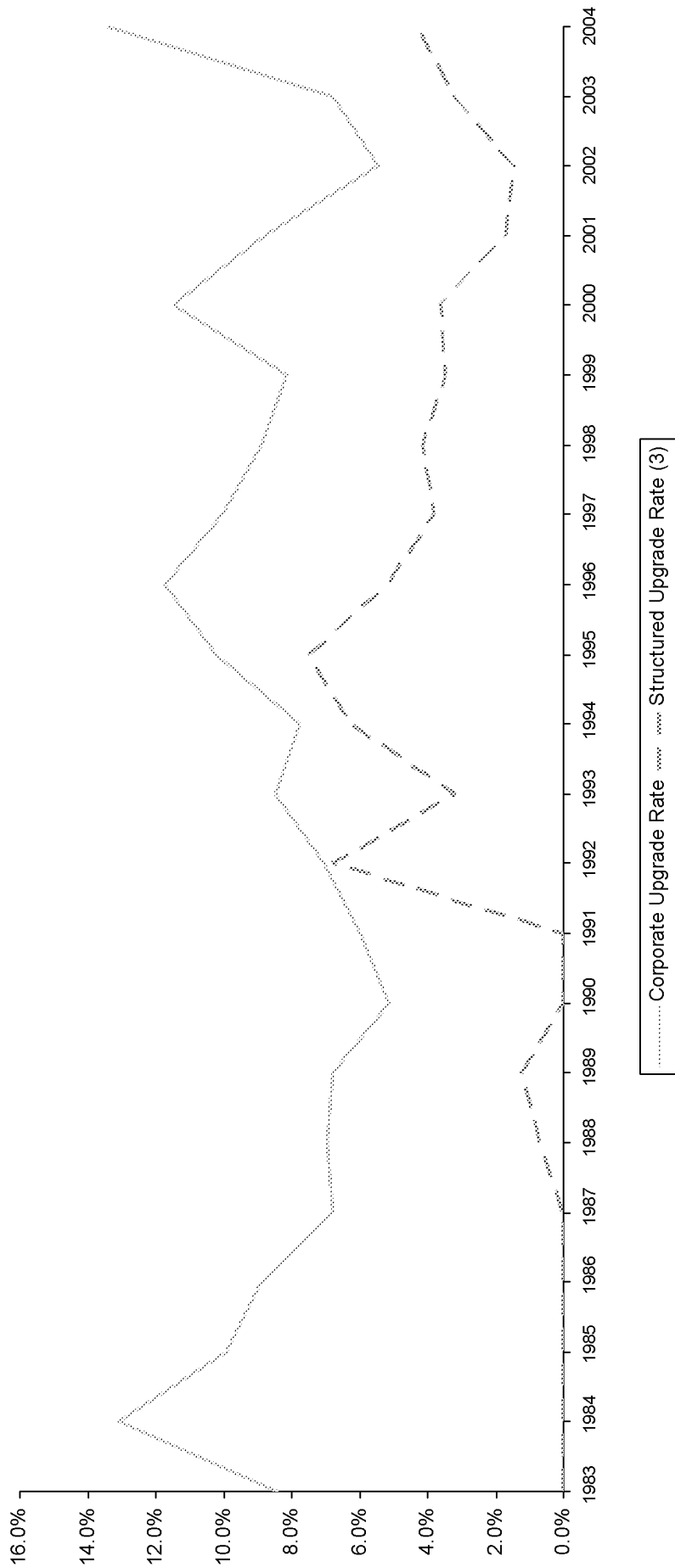
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Structured Finance Market Overview

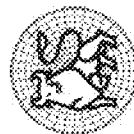
Low Ratings Volatility - Upgrade Rates (1) (2)



(1) Source: "Structured Finance Rating Transitions: 1983-2004", Moody's Investors Service, February 2005.

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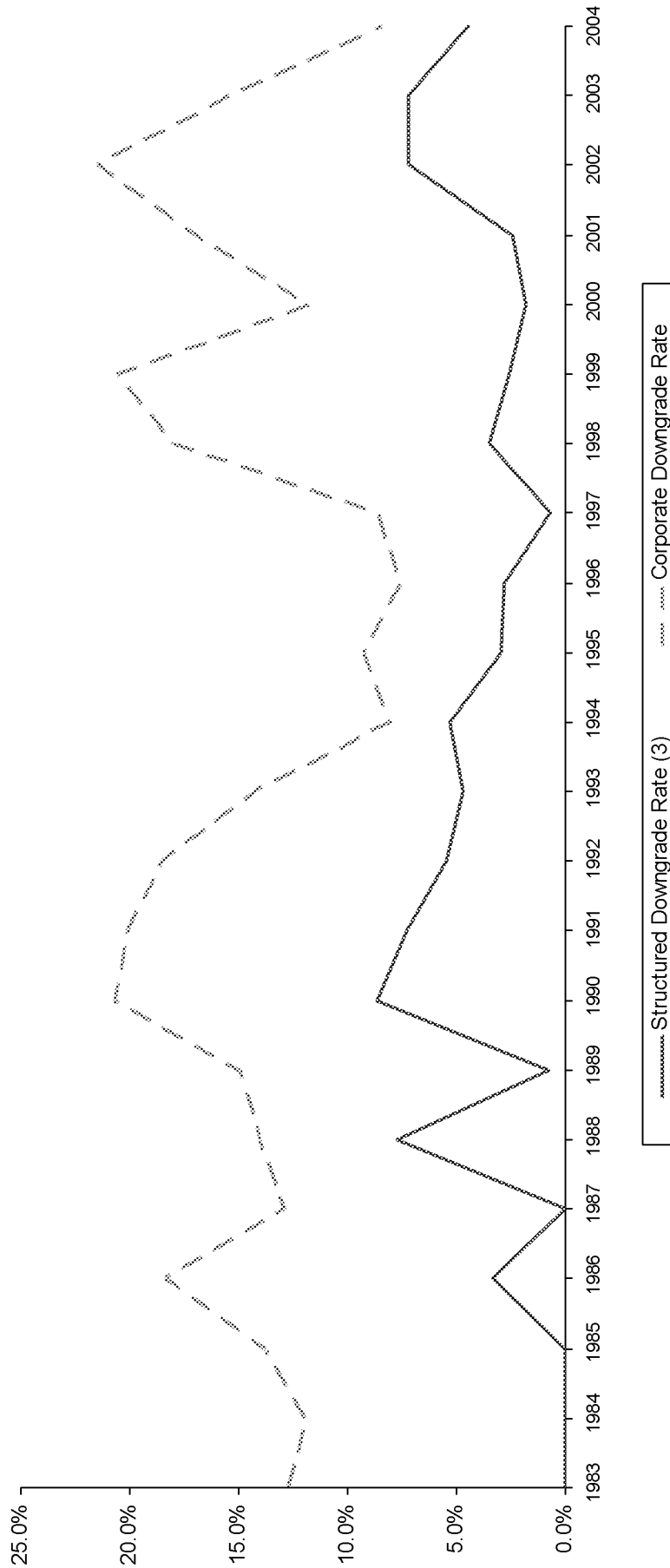
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Structured Finance Market Overview

Low Ratings Volatility - Downgrade Rates (1) (2)



(1) Source: "Structured Finance Rating Transitions: 1983-2004", Moody's Investors Service, February 2005.

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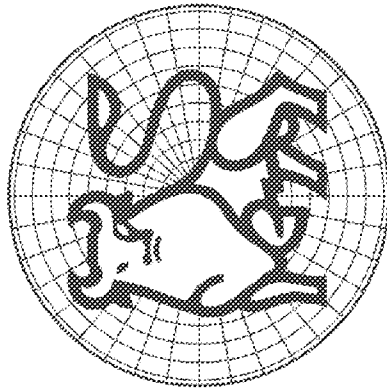
(3) "Structured" refers to Structured Finance Securities including CDOs. Past performance does not always predict future results.



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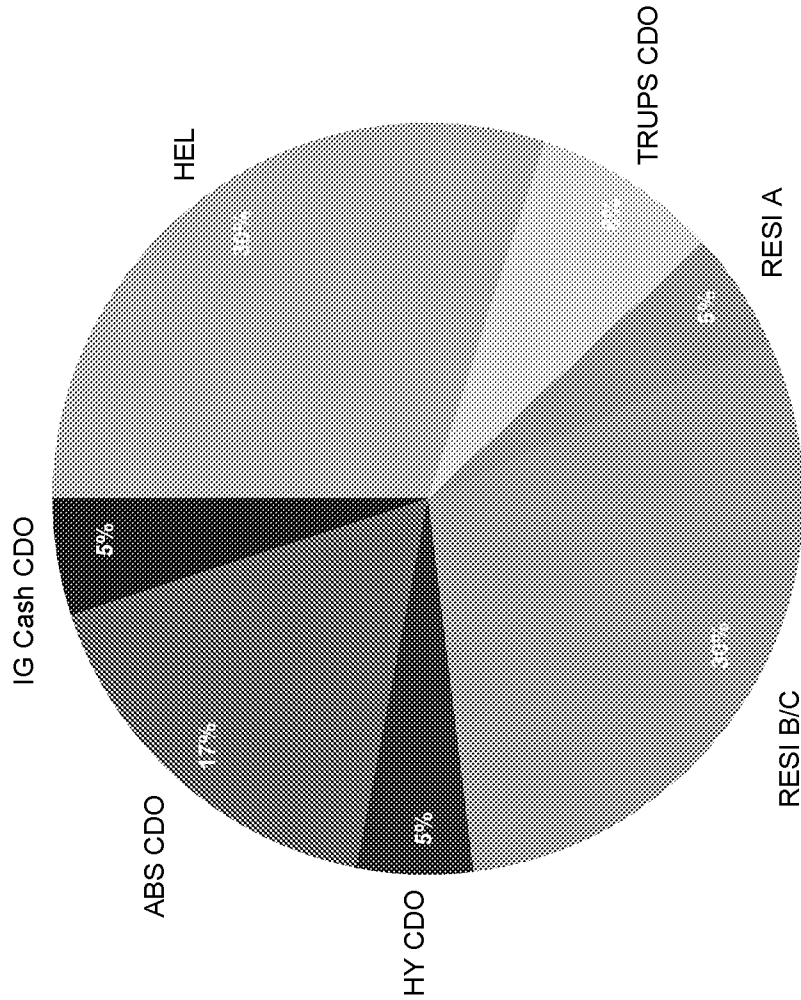
B. Kleros Preferred Funding Portfolio



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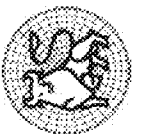
Kleros Preferred Funding Portfolio Portfolio Assumptions

Representative Portfolio ⁽¹⁾(2)



(1) This is an indicative portfolio. All information shown on this page 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. The actual portfolio on the effective date may be materially different from the one presented above and the portfolio may change over time. In addition, certain of the assumptions contained herein have been made for modeling purposes and it is unlikely that such assumptions will in fact be realized.

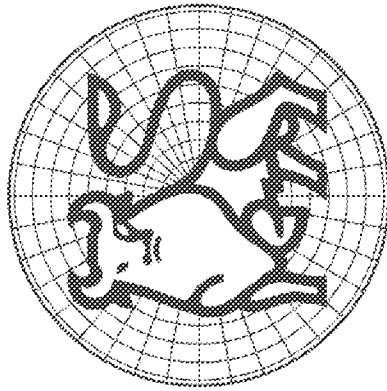
(2) The assets held by Kleros Preferred Funding, Ltd. ("Kleros") which back the Offered Securities consist of [Aaa], [Aa] and [A] rated (i) Asset Backed Securities including RMBS and (ii) ABS CDOs. It is anticipated that up to [55]% of the assets held by Kleros may consist of such CDO securities; provided that the securities issued by any one CDO may not exceed [1.5]% of Kleros's portfolio. As a result, potential investors in the Offered Securities must understand that if they hold debt or equity issued by other CDOs, their credit exposure to such CDOs will increase to the extent securities issued by those CDOs are also included in the assets of Kleros. It is expected that [10]% of the assets held by Kleros will consist of [Aaa] rated CDO securities and [20]% of the assets held by Kleros will consist of [Aa1], [Aa2], or [Aa3] rated CDO securities.



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3. Transaction Highlights



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Transaction Highlights⁽¹⁾⁽²⁾

Summary of Terms

Type ABS CDO Cash Flow Transaction
Issuer Kleros Preferred Funding, Ltd.
Manager Strategos Capital Management, LLC
Total Size \$[1007.0]MM

	CLASS A1 NOTES ⁽³⁾⁽⁴⁾	CLASS A2 NOTES ⁽³⁾	CLASS B NOTES ⁽³⁾	CLASS C NOTES ⁽³⁾	CLASS D NOTES ⁽³⁾	PREFERRED SHARES ⁽³⁾
Principal	\$[850,000,000]	\$[80,000,000]	\$[40,000,000]	\$[13,000,000]	\$[8,500,000]	\$[15,500,000]
% of Liabilities	[84.4]%	[8.0]%	[4.0]%	[1.3]%	[0.8]%	[1.5]%
Coupon Type	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Residual]
Expected Rating	[Aaa/AAA/AAA]	[Aaa/AAA/AAA]	[Aa2/AA/AA]	[A3/A-/A-]	[Baa2/BBB/BBB]	N/R
Rating Agency	[Moody's/S&P/Fitch]	[Moody's/S&P/Fitch]	[Moody's/S&P/Fitch]	[Moody's/S&P/Fitch]	[Moody's/S&P/Fitch]	N/A
Average Life ⁽⁶⁾	[6.1] yrs	[6.3] yrs	[6.3] yrs	[6.3] yrs	[6.3] yrs	N/A
Stated Maturity	[2041]	[2041]	[2041]	[2041]	[2041]	[2041]
Denomination	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments] ⁽⁶⁾

Closing Date: [June 3, 2005]

Coupon Payment Dates: Quarterly, beginning [October 6, 2005]

Ramp-up Period: At least [70]% of the portfolio has been purchased or identified by closing; ramp-up period will be [120] days

Non Call Period: [4] years (thereafter, all of the Notes and Preferred Shares may be called by a majority vote of the Preferred Shares)

Substitution Period: [None], Immediate Principal Amortization

Mandatory Auction Call: [8] years

Deleveraging Structure: Principal amortization will be used to pay down the Notes on a pro rata basis until either [50%] of the collateral has amortized or if the Sequential Pay Test has failed.⁽⁷⁾

(1) Definitions and other terms will be fully described in the Offering Circular.

(2) Merrill Lynch may, but is under no obligation to make a market in the Offered Securities.

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

(4) The Class A1 Notes will not be fully funded at Closing.

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

(6) With some limited exceptions.

(7) The "Sequential Pay Test" will fail in the event that either [50%] of the collateral has amortized or one of the Overcollateralization Tests has breached.



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Transaction Highlights Structuring Assumptions⁽¹⁾

Collateral Assumptions

Minimum Weighted Average Coupon ⁽⁹⁾	[5.58]%
Minimum Weighted Average Floating Spread ⁽¹⁰⁾	[0.67]%
Maximum % Fixed	[20]%
Maximum Weighted Average Rating	[A5] (Aa3/A1) ⁽²⁾
Diversity Score	>= [18] ⁽²⁾
Minimum Rating at Original Purchase	[A3]
Maximum Weighted Average Life	[7.0] Years
Maximum Single Issuer Concentration	[1.5]%(3)
Maximum CDOs	[35.0]%
Maximum Single Servicer Concentration	[7.5]%(3)
Max. Amount of Collateral Obligations Rated Below Aaa	[75.0]%
Max. Amount of Collateral Obligations Rated "A1", "A2", "A3"	[20.0]%

(1) These assumptions are general and are not conclusive or exhaustive. None of the assumptions contained herein are meant to be historical descriptions nor predictors of future performance. In addition, certain of the assumptions contained herein have been made for modeling purposes and it is unlikely that such assumptions will in fact be realized. No representation or warranty is made by Merrill Lynch or Strategos Capital Management as to the reasonableness of such assumptions or as to any other financial information contained in such models (including the assumptions on which they are based). These assumptions have certain inherent limitations, and will be affected by any changes in the structure or assets for this transaction. As a sophisticated investor, you should review each assumption carefully and make your own determination as to its accuracy or reasonableness. 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. No representation is made that such assumptions are accurate or complete or do not contain errors or that alternative modeling techniques or assumptions would not be more appropriate or produce significantly different results. The attached material is provided to you on the understanding that as a sophisticated investor, you will understand and accept its inherent limitations, will not rely on it in making any investment decision with respect to any securities that may be issued, and will use it only for the purpose of discussing with Merrill Lynch your preliminary interest in investing in a transaction of the type described. Any investor should rely only upon the final offering materials for the definitive conditions and terms of the offering. Neither Merrill Lynch nor Strategos Capital Management assumes any responsibility for the accuracy or validity of the results of such models.

(2) Based on a Ratings Matrix which is described in the Offering Circular
 (3) With a limited number of exceptions.
 (4) On the Closing Date, the Co-Issuers will use a portion of the gross proceeds from the offering to pay various fees and expenses, including expenses, fees and commissions incurred in connection with the acquisition of the Collateral, structuring and placement agency fees payable to Merrill Lynch and legal, accounting, rating agency and other fees. Closing fees and expenses reduce the amount of the gross proceeds of the offering available to purchase Collateral and, therefore, the return to purchasers of the Securities. Rating agencies will consider the amount of net proceeds available to purchase Collateral in determining any ratings assigned by them to the Securities. For information about the amount of such fees and expenses, please review the final Offering Circular before investing.
 (5) Test Level represents the levels that must be passed in order not to cause accelerated redemption of the Notes.
 (6) Initial represents expected characteristics of target portfolio.
 (7) In the event that either Class A/B Coverage Test is breached in the interest waterfall, interest will be used first to pay down the Class A1 Notes, followed by the Class A2 Notes, and finally the Class B Notes.
 (8) In the event that either Class C/D Coverage in the interest waterfall, interest will be used to pay down the Class C and Class D Notes on a pro rata basis. In the event that either Class C/D Coverage in the principal waterfall, principal will be used to pay down the Notes on a sequential basis beginning with the most senior outstanding notes.
 (9) The expected weighted average coupon is [5.60]%.
 (10) The expected Weighted Average Spread is [0.69]%



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Annual Fees and Expenses

Senior Management Fees	[8.0] bps per annum
Subordinate Management Fees	[4.0] bps per annum
Trustee and Admin Fees	[3.5] bps per annum
Administrative Fee Cap	\$[300,000] yr
Closing Fees ⁽⁴⁾	***

Coverage Tests

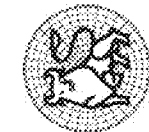
	Test Level ⁽⁵⁾	Initial ⁽⁶⁾
Class A/B Overcollateralization Test ⁽⁷⁾	[101.7]%	[103.1]%
Class C/D Overcollateralization Test ⁽⁸⁾	[100.3]%	[100.9]%
Class A/B Interest Coverage Test ⁽⁷⁾	[102.0]%	[110.5]%
Class C/D Interest Coverage Test ⁽⁸⁾	[100.0]%	[107.0]%



Transaction Highlights Structuring Assumptions ⁽¹⁾⁽²⁾⁽³⁾

Structuring Assumptions

- **Distribution Dates** - Distribution Dates occur quarterly.
- **Ramp-Up** - It is assumed that [70]% of the Collateral Debt Securities will be purchased at closing and the deal will be fully ramped within [120] days after closing.
- **Mandatory Auction Call:** [8] years.
- **Default and Recoveries** - Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each quarterly Distribution Date. Defaulted assets are assumed to be sold immediately after default at a price equal to the applicable recovery rate.
- **Interest Rates** - Floating rate collateral accrues interest at the 3M LIBOR curve plus its applicable spreads. The Notes accrue interest at the 3M LIBOR curve plus applicable spreads. The 3M LIBOR curve is the forward curve as of [5]/[6]/[2005].
- **Intraperiod Reinvestment** - Principal and interest proceeds are assumed to be reinvested and accrue interest at the 3M LIBOR curve minus [0.10] %.
- **Reset Frequency** - CDO assets and liabilities are assumed to reset based on the same quarterly LIBOR rates.
- **First Period Interest Calculation** - First period interest is assumed to be [95]% of a full quarterly period's assumed interest.
- **Yield Calculations** - Preferred Shares (and Preferred Shares combo) yields are calculated using annual compounding.



(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) Definitions and other terms will be fully described in the Offering Circular.
(3) Please see "Important Notice - Forward Looking Statements" for disclaimers on projections, forecasts, and estimates.



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Transaction Highlights

Break Even Default Rates (1)(2)(3)(4)

BREAKEVEN DEFAULT RATES	Based on a Break in Yield		Based on 0% Yield	
	Annual Default Rate	Cumulative Gross Defaults	Annual Default Rate	Cumulative Gross Defaults
Class A1 First Priority Senior Floating Rate Delayed Draw Notes (Aaa/AAA/AAA)	[12.5]%	[51.7]%	[34.0]%	[84.1]%
Class A2 Second Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[5.7]%	[28.5]%	[8.1]%	[38.0]%
Class B Third Priority Senior Floating Rate Notes (Aa2/AA/AA)	[2.8]%	[15.6]%	[4.0]%	[21.2]%
Class C Fourth Priority Senior Floating Rate Notes (A3/A-/A-)	[1.5]%	[8.4]%	[2.1]%	[11.5]%
Class D Fifth Priority Mezzanine Floating Rate Notes (Baa2/BBB/BBB)	[1.2]%	[6.8]%	[1.4]%	[7.9]%

(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 total cashflow received does not equal initial investment. Please see Appendix A for a description of Collateral Cashflow Formulas.

(2) Assuming annual constant defaults beginning immediately, [75]% recovery rate, forward LIBOR. Please see "Transaction Details - Structuring Assumptions" for a description of modeling assumptions. Assumes a weighted average spread of [0.69]% and a weighted average coupon of [5.60]%.
 (3) All the information shown on this page is for illustrative purposes only. The transaction is at a structuring phase, and the actual structure of the transaction and characteristics of the offered securities may differ from those presented herein. Definitions and other terms will be fully described in the Offering Circular. It is contemplated that the "Collateral Profile" would apply on and after the ramp-up completion date.

(4) Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each quarterly Distribution Date. Defaulted assets are assumed to be sold immediately at a price equal to the applicable recovery rate.



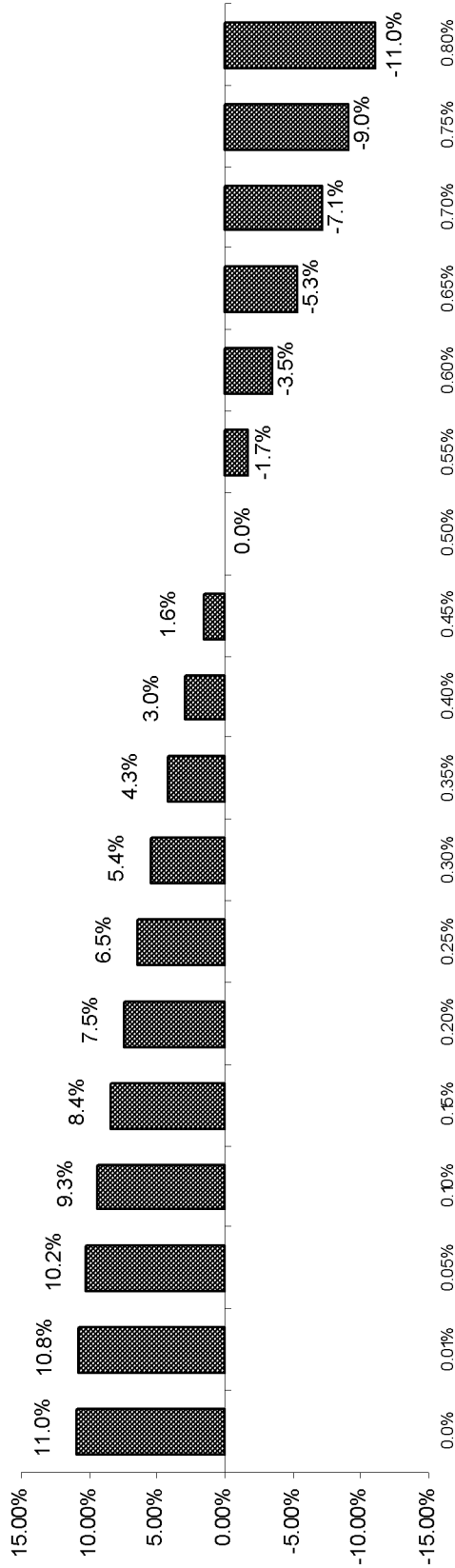
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Transaction Highlights Transaction Analysis

Preferred Share IRR (1)(2)(3)(4)(5)



- Assuming the transaction experiences 0.01% default rate every year, which is approximately the average one-year default rate for AAA and AA-rated RMBS and ABS Securities, the Preferred Share return would be [10.8%] (1)(2)
- Assuming the transaction experiences 0.10% default rate every year, which is approximately 10 times the average annual default rate for AAA and AA-rated RMBS and ABS Securities, the Preferred Share return would be [9.3%] (1)(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 Kleros. For these and other reasons, there are limitations on the value of this or any hypothetical illustration.

This information is not intended to be either an express or an implied guaranty of investment performance.

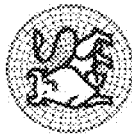
(1) This material includes illustrative return information that is based in part on hypothetical assumptions. None of the assumptions contained herein are meant to be historical descriptions nor predictors of future performance. In addition, certain of the assumptions contained herein have been made for modeling purposes and it is unlikely that such assumptions will in fact be realized. Such results are presented for illustrative purposes only and are based on various assumptions, not all of which are described herein. No representation or warranty is made by Merrill Lynch or Strategos Capital Management, LLC as to the reasonableness of such assumptions or as to any other financial information contained in such models (including the assumptions on which they are based). These assumptions have certain inherent limitations, and will be affected by any changes in the structure or assets for this transaction. As a sophisticated investor, you should review each assumption carefully and make your own determination as to its accuracy or reasonableness. The actual performance of any securities issued will differ, and may differ substantially, from that set forth in the attached illustrations. No representation is made that such illustrations are accurate or complete or do not contain errors, or that alternative modeling techniques or assumptions would not be more appropriate or produce significantly different results. The information in the graph above should not be considered a prediction of the performance of the issuer or the Preferred Shares. The attached material is provided to you on the understanding that as a sophisticated investor, you will understand and accept its inherent limitations, will not rely on it in making any investment decision with respect to any securities that may be issued, and will use it only for the purpose of discussing with Merrill Lynch your preliminary interest in investing in a transaction of the type described. Any investor should rely only upon the final offering materials for the definitive conditions and terms of the offering. Neither Merrill Lynch nor Strategos assumes any responsibility for the accuracy or validity of the results of such models.

(2) Please see Structured Finance Market Overview for details. Assumes a weighted average spread of 0.65% and a weighted average coupon of 5.60%.

(3) Forward LIBOR refers to the curve containing the expected rates that investors in the market are willing to pay to borrow money for a 3-month period at some given point in the future. For this information, Forward LIBOR was set on [5/16/2005].

(4) Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each quarterly Distribution Date. Defaulted assets are assumed to be sold immediately after default at a price equal to the applicable recovery rate.

(5) These calculations are based on a collateral average life of [6.5] years. If the actual collateral amortization occurs differently than is assumed, actual results could differ materially from those herein.



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Transaction Highlights

Key Dates

Beginning of Ramp Up ⁽¹⁾	↑	[September 2004]
Debt Pricing	↑	[May 2005]
Funding/Settlement Date	↑	[June 3, 2005]
End of Non-Call Period	↑	[July 6, 2009]
First Auction Call Date	↑	[July 6, 2013]
Stated Maturity	↑	[2041]



(1) At least [70]% of the Collateral Portfolio is expected to be purchased or identified by the closing date

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Transaction Highlights Form of Offering

Form of Offering

Form of Securities

Rated Notes: DTC/Euroclear
Preference Shares: Physical/Euroclear

U.S. Investors

Rated Notes: Qualified Purchasers/QIBs
Preference Shares: Qualified Purchasers /Accredited
Investors or QIBs

SEC Registration Exemption

4(2) / Rule 144A / Regulation S

Investment Company Act Exemption

3(c)(7)

Domicile/Form of Issuer

Cayman Islands Exempted Company

Domicile/Form of Co-Issuer

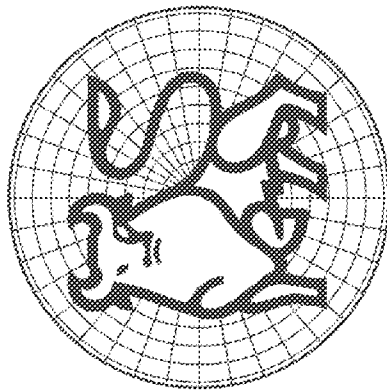
Delaware Limited Liability Company

Listed

[Irish Stock Exchange] (Notes Only)



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4. Risk Factors



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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.

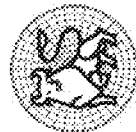
Limited-Recourse Obligations. The Notes will be limited-recourse obligations of the co-issuer, payable solely from the collateral pledged by the issuer to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the issuer, the co-issuer, the trustee, 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-issuer 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-issuer in accordance with such priority of payments, the issuer will have funds remaining to make distributions in respect of the Preferred Shares.

Investment in CDO Equity. CDO preferred shares are a first loss, leveraged credit position. An investor in a CDO is exposed to a portfolio of diversified credits, but only a portion of those credits need to default (recovery values adjust this range upward) for clients that invest in CDO preferred shares to lose 100% of their original investment – hence the leveraged credit position. Client loss is limited to original investment. CDO debt tranche investors effectively loan money to CDO preferred share investors. Criteria governing a CDO will divert cashflow intended for equity to start paying down debt in the event that certain coverage ratios (over-collateralization and interest coverage tests) are triggered. Collateral deterioration is the cause for these ratios to be triggered. This may result in a cutoff of cashflow to CDO preferred shares for some time and potential phantom income tax issues. Equity investors are leveraged. Spread movement in the underlying collateral portfolio will have exaggerated mark-to-market effect on client positions. However, only defaults affect the potential cashflow equity investors receive. CDO preferred shares are a purchase of a stream of cashflows. These cashflows are amortizing in nature, i.e., clients do not normally receive their full principal at maturity. CDO preferred share returns are projected in terms of the IRR of this stream of cashflows. The earlier cash is received, the higher the IRR will be.

The summary risk factors presented above are generic to the investment category, do not present all of the risks specific to this transaction or the collateral 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



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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. If an event of default occurs, so long as any Notes are outstanding, the holders of the most senior class of Notes then outstanding (or until the Commitment Period Termination Date (as defined in the Offering Circular)) will be entitled 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 or Class D 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 D Notes, third by the holders of the Class C Notes, fourth by the holders of the Class B Notes, and fifth, 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.

Ongoing Commitments – the Class A-1 Notes. The Class A-1 Notes may not be fully drawn at closing. If this is the case, it is anticipated that holders of the Class A-1 Notes will be obligated during a commitment period expected to run from the closing date to [4] months following the closing date, subject to compliance by the issuer with certain borrowing conditions, to advance funds to the issuer until the aggregate principal amount advanced under the Class A-1 Notes equals the aggregate amount of commitments to make such advances.

Nature of Collateral. The collateral will be subject to credit, liquidity, interest rate, market, fraud, operations and structural 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.

It is currently anticipated that [70]% of the collateral will have been purchased by the closing date. The issuer expects that it will have purchased 100% of the collateral by the ramp-up completion date, and that the collateral will satisfy the coverage tests. However, there can be no assurance that this will occur. Failure to satisfy the coverage tests may result in repayment or redemption of all or a portion of the Notes (in accordance with the priority of payments to be specified in the Offering Circular).

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

The summary risk factors presented above are generic to the investment category, do not present all of the risks specific to this transaction or the collateral 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



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Early Redemption of the Notes. In addition to the risk of early redemption of the Notes discussed in the immediately preceding paragraph, the notes may be subject to early redemption [8] years after the closing date at the election of a majority in interest of the holders of the preferred shares. It is anticipated that if a coverage test is breached, interest proceeds and then principal proceeds will be applied to pay principal on the Notes until the applicable coverage test is met. In the case of a breach of the interest coverage test, it is anticipated that principal on the Notes will be paid in order of seniority, beginning with the Class A1 Notes. In addition, it is anticipated that if the Notes have not been paid in full prior to [July 6, 2013] an auction of the collateral will be conducted and subject to satisfaction of certain conditions, will be sold and used to redeem the Notes. The Notes may also be subject to early redemption on the occurrence of certain adverse tax events to be described in the Offering Circular.

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 a 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.

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). Furthermore, although the Collateral Manager is expected to purchase preferred shares, it is not required to maintain minimum holdings in 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 or the collateral 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



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Risk Factors

Conflicts of Interest Involving Merrill Lynch. Certain of the Collateral Debt Securities acquired or to be acquired by the Issuer will consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which Merrill Lynch or an affiliate thereof has acted as underwriter, agent, placement agent or dealer or for which Merrill Lynch or an affiliate thereof has acted as lender or provided other commercial or investment banking services. Merrill Lynch or an affiliate thereof may structure issuers of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. Merrill Lynch or an affiliate thereof may also act as counterparty with respect to one or more Synthetic Securities. In its role as counterparty with respect to Synthetic Securities, Merrill Lynch or one of more of its affiliates may manage a pool of Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. In addition, an affiliate of Merrill Lynch may act as Hedge Counterparty under one or more Hedge Agreements with the Issuer. Moreover, Merrill Lynch or its affiliates may from time to time enter into derivative transactions with third parties with respect to the Offered Securities or with respect to Collateral Debt Securities acquired by the Issuer, and Merrill Lynch or its affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. 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. These activities may create certain conflicts of interest, and there can be no assurance that the terms on which the Issuer entered into (or enters into) any of the foregoing transactions with Merrill Lynch (or an affiliate thereof) were or are the most favorable terms available in the market at the time from other potential counterparties.

It is anticipated that, in the event that the transaction will include an administrative agency agreement, an affiliate of Merrill Lynch, as administrative agent, would become successor collateral manager, if the Collateral Manager were removed pursuant to the collateral management agreement. If this occurs, such affiliate could experience conflicts of interest similar to those described above with respect to the collateral manager.

Significant Fees Reduce Proceeds Available for Purchase of Collateral Debt Securities. On the Closing Date, the Co-Issuers will use a portion of the gross proceeds from the offering to pay various fees and expenses, including expenses, fees and commissions incurred in connection with the acquisition of the Collateral, structuring and placement agency fees payable to Merrill Lynch and legal, accounting, rating agency and other fees. Closing fees and expenses reduce the amount of the gross proceeds of the offering available to purchase Collateral and, therefore, the return to purchasers of the Securities. Rating agencies will consider the amount of net proceeds available to purchase Collateral in determining any ratings assigned by them to the Securities. For information about the amount of such fees and expenses, please review the final Offering Circular before investing.

Purchase 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 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.

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.

The summary risk factors presented above are generic to the investment category, do not present all of the risks specific to this transaction or the collateral 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



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FINANCIAL, LLC

Risk Factors

Auction Call Redemption. If the Notes have not been redeemed in full prior to the Payment Date occurring in [July 6], [2013], 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. After the ramp-up completion date, there will be no further purchases made in the portfolio.

CDO of CDOs. The assets held by Kleros Preferred Funding, Ltd. ("Kleros") which back the Offered Securities consist of [Aaa], [Aa] and [A] rated (i) Asset Backed Securities including RMBS and (ii) ABS CDOs. It is anticipated that up to [35]% of the assets held by Kleros may consist of such CDO securities; provided that the securities issued by any one CDO may not exceed [1.5]% of Kleros's portfolio. As a result, purchasers of the Offered Securities must understand that if they hold debt or equity issued by other CDOs, their credit exposure to such CDOs will increase to the extent securities issued by those CDOs are also included in the assets of Kleros. It is expected that [10]% of the assets held by Kleros will consist of [Aaa] rated CDO securities and [20]% of the assets held by Kleros will consist of [Aa1], [Aa2], or [Aa3] rated CDO securities.

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

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

The summary risk factors presented above are generic to the investment category, do not present all of the risks specific to this transaction or the collateral 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



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Risk Factors

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

Mandatory Repayment of the Notes. If any coverage test applicable to a class of notes is not met, first, interest proceeds, then, to the extent that the application of interest proceeds is insufficient, principal proceeds, then, to the extent that the application of interest proceeds and principal proceeds is insufficient, uninvested proceeds, will be used to the extent that funds are available in accordance with the priority of payments and to the extent necessary to restore the relevant coverage tests to certain minimum required levels, will be used to repay principal of one or more classes of notes.

In addition, if the CDO issuer is unable to obtain confirmation of the ratings of the notes from each of the rating agencies rating the notes by the 30th day following the ramp-up completion date, first uninvested proceeds, then, to the extent that the application of uninvested proceeds is insufficient, interest proceeds, then, to the extent that the application of uninvested proceeds and interest proceeds is insufficient, principal proceeds, will be applied on the first distribution date following such 30th day to redeem first, the Class A-1 Notes, then the Class A-2 Notes, then the Class B Notes, then, the Class C Notes, then, the Class D Notes, in each case to the extent necessary to obtain such rating confirmation from each of the rating agencies.

Either of the foregoing could result in an elimination, deferral or reduction in the payments in respect of interest or commitment fee or the principal repayments made to the holders of one or more classes of notes that are subordinate to any other outstanding class of notes, which could adversely impact the returns of such holders.

The Collateral Manager may, on any distribution date occurring prior to the last day of the reinvestment period, in its sole discretion elect to apply all or a portion of the principal proceeds available for reinvestment to the payment of principal of the notes in accordance with the priority of payments, which application may result in additional payments of principal on the notes.

Currency Risk. The notes will be denominated in U.S. dollars. The eligibility criteria will permit collateral debt securities (and, with respect to synthetic securities, reference obligations) to be denominated in U.S. dollars, in sterling or in euros which, in each case, are not convertible into or payable in any other currency. Notwithstanding the fact each such collateral debt security will be required, upon acquisition thereof by the CDO issuer, to have an associated hedge agreement and will include currency protection provisions with respect to scheduled payments thereunder, losses may be incurred due to fluctuations in the U.S. dollar/sterling or U.S. dollar/euro exchange rates in the event of (i) a default under any such hedge agreement, (ii) certain termination events under any such hedge agreement or (iii) any increase in the scheduled coupon or interest payment in respect of such security related to such hedge agreement.

Interest Rate Risk. The notes will bear interest at a rate based on three-month LIBOR. Certain of the collateral debt securities included in the collateral will include obligations that bear interest at fixed rates. Accordingly, the notes are subject to interest rate risk to the extent that there is an interest rate mismatch between the floating rate at which interest accrues on the notes and the rates at which interest accrues on fixed rate securities included in the collateral. A portion of such interest rate mismatch will be mitigated by one or more hedge agreements which the CDO issuer will enter into in connection with the transaction. There can be no assurance that the collateral debt securities and eligible investments, together with such hedge agreements, will in all circumstances generate sufficient interest proceeds to make timely payments of interest on the notes.

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

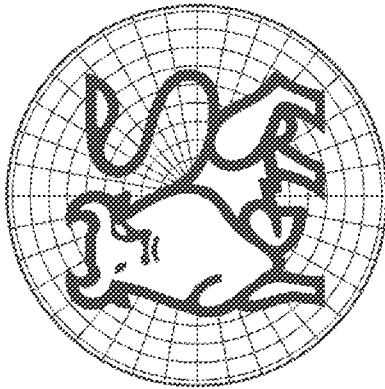
THE ATTENTION OF POTENTIAL INVESTORS IS DRAWN TO THE RISK FACTORS WHICH ARE DESCRIBED IN THE OFFERING CIRCULAR TO BE PROVIDED



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FINANCIAL, LLC

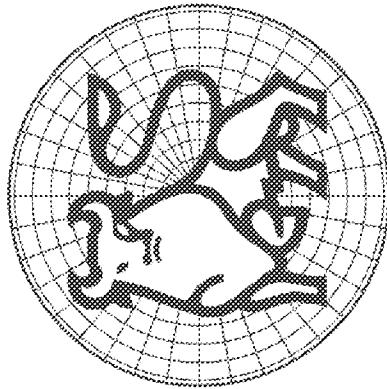


5. About the Collateral Manager (1)

(1) All information in this Section 5 has been supplied by Strategos Capital Management, LLC. Except where otherwise indicated, information is as of January, 2005.



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A. Introduction to Strategos CDO Management



COHEN BROS.
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Introduction to Strategos CDO Management Strategos Overview

Summary

- Cohen Bros. and Co. has grown to become one of the leading research houses and investment banks dedicated to the small and medium size financial services market. The firm currently employs over 45 professionals, with offices in Philadelphia, New York, and Paris
- Cohen Bros. draws on the many years of success of its employees and principals in the financial services and real estate sectors to provide specialized research and investment opportunities to institutions and sophisticated individuals
- The award winning research analysts and credit underwriters at Cohen Bros. are experienced in the bank, insurance, real estate, and specialty finance industries from both an evaluation and management perspective
- **Strategos Capital Management LLC**, a Delaware limited liability company 100% owned by Cohen Bros. and its principals, will serve as Collateral Manager for ABS CDOs⁽¹⁾
- Strategos was established as the cornerstone of Cohen's ABS and MBS business



(1) Kleros will be the first ABS CDO managed by Strategos Capital Management.

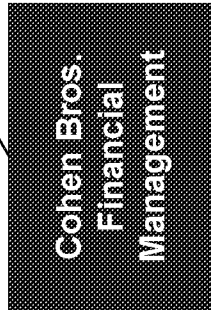
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**Introduction to Strategos CDO Management
Organizational Structure**

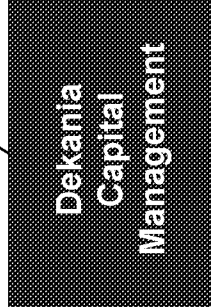
Cohen Bros. is a focused and disciplined manager specializing in the bank, thrift, insurance, real estate and specialty finance sectors



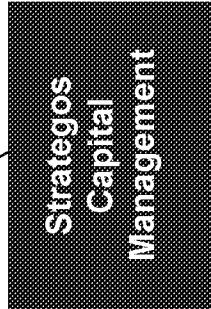
REIT Trust Preferred



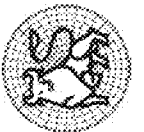
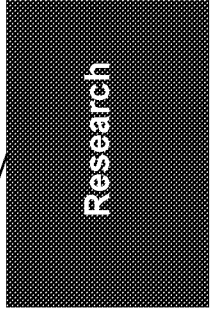
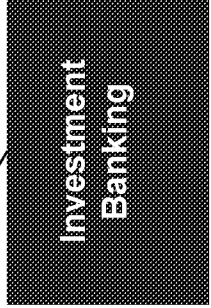
Bank Trust Preferred



Insurance Trust Preferred



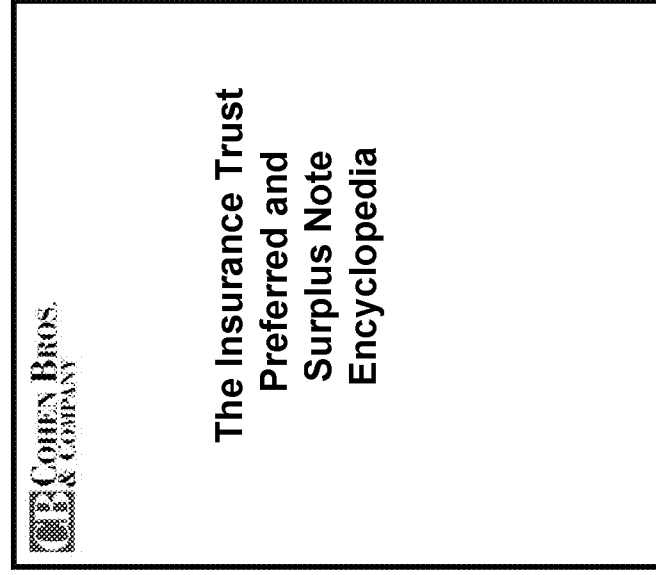
ABS and MBS



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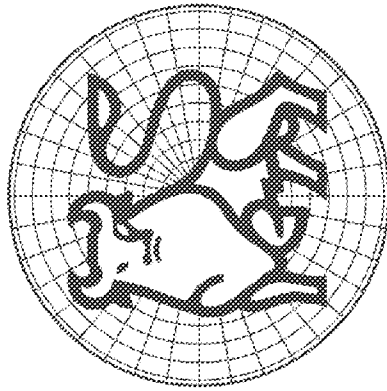
Introduction to Strategos CDO Management Research Publications

- Research stands at the foundation of all business lines at Cohen Bros. Financial, LLC
- Cohen Bros. publishes *The Bank Trust Preferred Encyclopedia*, *The Insurance Trust Preferred Securities and Surplus Notes Encyclopedia*. In addition, Cohen Bros. soon expects to release *The REIT Preferred Encyclopedia* and *The Specialty Finance Encyclopedia*, a comprehensive review of companies that have substantial ABS issuance activity.





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B. Strategos Capital Management, LLC



**COHEN BROS.
FINANCIAL, LLC**

**Strategos Capital Management, LLC
Management Team⁽¹⁾**

INVESTMENT COMMITTEE

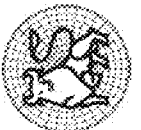
Daniel G. Cohen	Chairman	Alex Cigolle	President and CIO
James J. McEntee, III	Vice Chairman	David Nathaniel	Chief Operating Officer

INVESTMENT PROFESSIONALS

Alex Cigolle	Chief Investment Officer
Joe Messineo	Director of Trading
Matt Nannen	Surveillance
Nadia Khayat	Analytics and Surveillance
Mike Ludlow	Credit Trading/Analysis

COHEN BROS. RESOURCES

Raphael Licht	General Counsel
Ken Smith	Compliance Officer
Andrew Hohns	Director of Marketing
Brian James	Institutional Sales
Alvar Soosaar	Specialty Finance Research

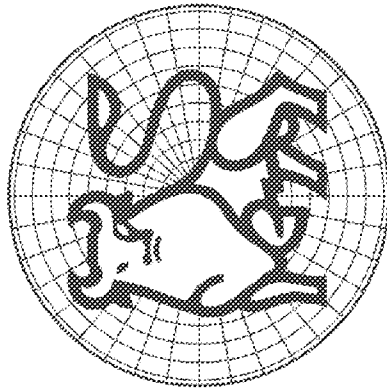


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⁽¹⁾ As of January, 2005. There is no guarantee that specific individuals or employees will continue to be employed by Strategos Capital Management, LLC.



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C. Investment Process



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Investment Process Strategos Management Investment Philosophy

The fixed income markets are efficient with respect to interest rate risk, but regularly misprice securities that are exposed to credit, structural, and liquidity risks. To exploit these inefficiencies and provide our clients with consistent excess returns, we:

- Focus on optimal security selection
- Emphasize the credit sectors
- Minimize interest rate risk
- Construct portfolios with attractive risk/reward characteristics



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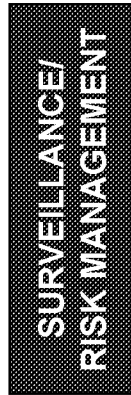
Investment Process
Strategos Management Investment Process

- Extensive Street Relationships
- ABS and CDO Product Sales Coverage
- Interaction with Traders, Structurers, and Syndicate Personnel
- New Issue and Secondary Activity
- Reverse Inquiry

- Issuer/Servicer/Manager Analysis
- Collateral Analysis
- Structural Analysis

- Relative Value
- Portfolio Constraints
- Concentrations/Diversification
- Investment Committee/Macro View

- Monthly Review
- Trustee/Remittance Reports
- Cash Flow Analytics/Stresses
- Marks
- Watchlist



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Investment Process Strategos Management Investment Process

TRADING

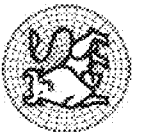
**RESEARCH
ANALYSIS**

**PORTFOLIO
MANAGEMENT**

SURVEILLANCE

TRADING

- Strategos' professionals have extensive relationships with sell side groups, both in the ABS and CDO product areas.
- Sales coverage consists of seasoned product specialists in the ABS and CDO product areas.
- Strategos seeks direct contact with traders, structurers, and syndicate members.
- Secondary trading forms a significant part of our activity, especially with respect to CDOs.
- Strategos also sources product through our regional bank relationships and direct reverse inquiry with issuers.



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FINANCIAL, LLC**

Investment Process Strategos Management Investment Process

TRADING

**RESEARCH
ANALYSIS**

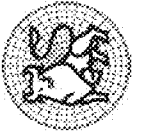
**PORTFOLIO
MANAGEMENT**

SURVEILLANCE

RESEARCH - ABS ANALYSIS

SERVICER/ORIGINATOR ANALYSIS

- Financial Strength of the Issuer/Servicer, and Parent Company, if any
 - Profitability
 - Liquidity
 - Capitalization
 - Cash Flow
- Management Experience, Integrity, and Staff Experience
- Business Strategy
- Underwriting Experience
- Historical Performance
- Servicer Quality
- Loss Mitigation Capabilities



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FINANCIAL, LLC**

Investment Process Strategos Management Investment Process

TRADING

**RESEARCH
ANALYSIS**

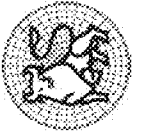
**PORTFOLIO
MANAGEMENT**

SURVEILLANCE

RESEARCH - ABS ANALYSIS

COLLATERAL ANALYSIS

- Loan Features
 - FICO Score, Average, and Distribution
 - LTV and Lien Status
 - Loan Purpose
 - Documentation
 - DTI Ratios
 - Source of Collateral: Wholesale/Retail
 - Geographic Distribution
 - Spread at Origination
 - Age, Term
 - Loan Size
 - Fixed/Floating Mix
 - IO Loan Concentration
 - Occupancy Status



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Investment Process

Strategos Management Investment Process

TRADING

**RESEARCH
ANALYSIS**

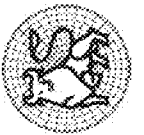
**PORTFOLIO
MANAGEMENT**

SURVEILLANCE

RESEARCH - ABS ANALYSIS

STRUCTURAL ANALYSIS

- Interest and Principal Waterfall
- Magnitude of Excess Spread for Credit Enhancement
- Overcollateralization (upfront and ongoing) and Target Levels
- Credit Enhancement
- Mortgage Insurance
- Impact of Hedging Ineffectiveness between Assets and Liabilities
- Trigger Effects on Cash Flows: Loss, Delinquency, Yield, Average Life
- Breakeven Analysis: Prepayments, CDR, Severity, etc.
- Excess Spread
- Available Funds Cap
- Clean-up Call Provisions



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Investment Process Strategos Management Investment Process

TRADING

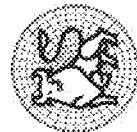
**RESEARCH
ANALYSIS**

**PORTFOLIO
MANAGEMENT**

SURVEILLANCE

RESEARCH - CDO ANALYSIS

- Collateral Analysis
 - Market Value
 - Par Value
 - Credit Assessment (Expected Credit Trends)
 - Risk Assessment (Downside Potential/Recovery)
 - Expectation
 - Prepayment/Call Likelihood
- Cash Flow Analysis
 - Stress Scenario Testing
 - Breakeven Analysis
 - Average Life Variability
 - Monte Carlo Simulation/Correlation based approaches for synthetic CDOs
- Structural Analysis
 - Attachment and Detachment Points
 - NAV Coverage
 - Overcollateralization and Interest Coverage Tests
 - Rating/Spread/Concentration Tests
 - Interest Rate Hedges
 - PIKability
 - Event of Default Language
 - Controlling Class Rights
 - Trading Flexibility
- Manager Analysis
 - Track Record
 - Incentives
 - Intentions
 - Market Perception
 - Responsiveness to Client Inquiry



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Investment Process Strategos Management Investment Process

TRADING

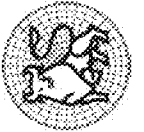
**RESEARCH
ANALYSIS**

**PORTFOLIO
MANAGEMENT**

SURVEILLANCE

PORTFOLIO MANAGEMENT

- Relative Value
 - Value vs. other Deals from Issuer
 - Value across Asset Class
 - Value across Ratings Spectrum
- CDO Limitations
 - Overcollateralization
 - Rating Factors
 - Average Life
 - Diversity Requirements
- Economic Diversification/ Assess Correlated Exposures
- Macro Viewpoints from Investment Committee



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Investment Process Strategos Management Investment Process

TRADING

**RESEARCH
ANALYSIS**

**PORTFOLIO
MANAGEMENT**

SURVEILLANCE

SURVEILLANCE/RISK MANAGEMENT

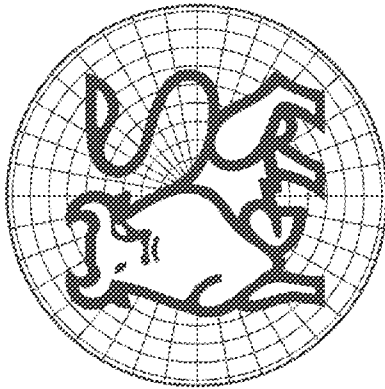
- Sources of Ongoing Information
 - Remittance Reports from ABSnet, Trustees, or Trustee Websites
 - Servicers
 - Data Vendors including Intex, Bloomberg, Realpoint, Lewtan Technologies
 - Dealers
 - Rating Agencies
- Monitoring Process
 - Daily Review of Market Conditions and Credit Risk Securities
 - Monthly Review of Collateral Statistics and Performance
 - Investment Committee
 - Watchlist
- Analytics
 - Intex
 - Realpoint
 - Bloomberg



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
D. Cohen Bros. Financial, LLC Credentials




**COHEN BROS.
FINANCIAL, LLC**

Cohen Bros. Financial, LLC Credentials Cohen Bros. & Company Recent Transaction History


Cohen Bros. & Co. has emerged as a leader in the CDO market. Over the last year, Cohen Bros. has been named collateral manager in four bank Trust Preferred CDOs, two Insurance Company Trust Preferred CDOs, one REIT Trust Preferred CDO and three hybrid Bank and Insurance Trust Preferred CDOs.




Alesco CDO I
\$344 MM
Trust Preferred Securities
October 2003
Collateral Manager




Alesco CDO II
\$347 MM
Trust Preferred Securities
December 2003
Collateral Manager




Alesco CDO III
\$363 MM
Trust Preferred Securities
March 2004
Collateral Manager




Alesco CDO IV
\$415 MM
Trust Preferred Securities
May 2004
Collateral Manager




Alesco CDO V
\$365 MM
Trust Preferred Securities
September 2004
Collateral Manager




Alesco CDO VI
\$693 MM
Trust Preferred Securities
December 2004
Collateral Manager




Alesco CDO VII
\$791 MM
Trust Preferred Securities
April 2005
Collateral Manager



Dekania CDO I
\$307 MM
Trust Preferred Securities
September 2003
Collateral Manager



Dekania CDO II
\$415 MM
Trust Preferred Securities
April 2004
Collateral Manager



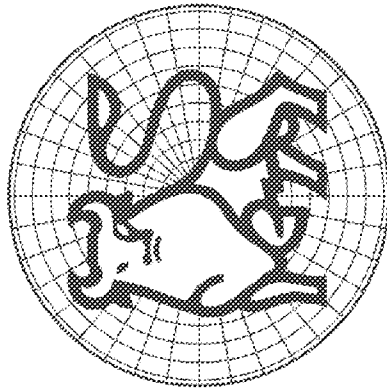
Taberna CDO I
\$729 MM
Trust Preferred Securities
Expected Closing March 2005
Collateral Manager



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COHEN BROS.
FINANCIAL, LLC



E. Biographical Information



**COHEN BROS.
FINANCIAL, LLC**

Biographical Information Investment Committee

Daniel G. Cohen

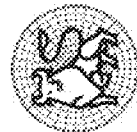
Mr. Cohen has been Chairman of the Board of Directors of The Bancorp, Inc. (a bank holding company) since 2000, and served as Chief Executive Officer for The Bancorp, Inc. from 1999 to 2000. Since 2001, he has also served as Chairman, Chief Executive Officer and President of Cohen Bros. Mr. Cohen serves as Chairman of Strategos Capital Management, LLC. From 1995 to 2000, Mr. Cohen served as an officer of Resource America (NASDAQ "REXT"), serving as its President and Chief Operating Officer from 1998 to 2000. From 1997 to 1999, Mr. Cohen was a director of Jefferson Bank of Pennsylvania, a commercial bank acquired by Hudson United Bancorp in 1999 that grew to \$3.5 billion in assets.

James J. McEntee, III

Mr. McEntee is the Chief Operating Officer of Cohen Bros and serves as Vice-Chairman for Strategos Capital Management, LLC. He was previously the co-founding and co-managing Partner of Harron Capital, LP, a \$100 million private equity fund. In addition, he was a Partner and Chairman of the Business Department of the law firm of Lamb, Windle & McErlane, with extensive experience representing the firm's banking clients. He is also a director of The Bancorp, a bank holding company.

Alex P. Cigolle, CFA

Mr. Cigolle serves as Chief Investment Officer of Strategos Capital Management, LLC. From 2000 to 2004 Mr. Cigolle served as Vice President of Delaware Investments in the Structured Products Group. At Delaware Investments Mr. Cigolle directed the trading and structuring of collateralized debt obligations (CDOs). In addition, Mr. Cigolle was responsible for credit analysis of various structured products including ABS, MBS, and CDOs. Prior to that Mr. Cigolle was employed with Banc of America Securities where he was a structurer in the Structured Credit Products Group. Mr. Cigolle is a graduate of the Massachusetts Institute of Technology where he earned a bachelor's degree in economics.



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Biographical Information Investment Professionals

David Nathaniel

Mr. Nathaniel joined Cohen Brothers in January 2005. Mr. Nathaniel will serve as Chief Operating Officer of Strategos Capital Management. Prior to joining Cohen Brothers Mr. Nathaniel served as Chief Investment Officer of Mivtachim Pension Funds, the largest pension fund in Israel, from 2002 to 2005. Before that Mr. Nathaniel managed a \$500 million portfolio of real estate assets for Gmul Investments Ltd. Mr. Nathaniel received a BA in Economics from Hebrew University in 1990 and an MBA from Tel Aviv University in 1995.

Joseph Messineo

Mr. Messineo is Director of Trading for Strategos Capital Management, LLC. He joined Cohen Bros. in 2002 after working at PaineWebber where he was a sales trader of mortgage backed securities. Prior to that he traded natural gas with U.S. and foreign energy companies for Power Merchants Group until 1999. He graduated from Drexel University in Philadelphia, PA with a double major in finance and marketing in 1996.

Matthew C. Nannen

Mr. Nannen joined Strategos Capital Management, LLC in 2005 as the Director of Surveillance with responsibilities in ABS Structuring and Credit Analysis. Mr. Nannen previously worked for Delaware Investments for seven years as an Assistant Vice President in charge of CDO and Structured Products surveillance and administration. He was also an Audit Manager in the Financial Services Industry of Ernst & Young LLP for six years. He received a bachelor's degree from The Pennsylvania State University. He is a Certified Public Accountant and Level II CFA candidate.

Nadia Khayat

Ms. Khayat is responsible for analytics and surveillance at Strategos Capital Management, LLC. Ms. Khayat holds an undergraduate degree in Management and Economics from the University of Damascus and a Masters of Business Administration degree from Villanova University. Before coming to the States she worked for four years with a regional computer peripheral distributor in the capacity of a general Manager Assistant.

Michael Ludlow

Mr. Ludlow is responsible for trading and analysis at Strategos Capital Management, LLC. Mr. Ludlow received his undergraduate degree in Business Administration from Villanova University. After spending time on the floor of the Philadelphia Stock Exchange and First Union Securities while in school, he joined Wachovia Securities soon after graduation. While at Wachovia Securities, Mr. Ludlow supported brokers in both the Investor Services Group and Private Client Group before joining Cohen Brothers in January of this year. Outside of Strategos, he serves as Treasurer for the Greater Philadelphia Villanova Alumni Chapter.



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Biographical Information Cohen Bros. Resources

Raphael Licht

Raphael Licht is a Vice President and counsel to Cohen Bros. & Company. From June 1996 to October 1997, and again from January 2002 to 2003, Mr. Licht practiced corporate, securities and real estate law with the law firm of Ledgewood Law Firm, P.C. From October 1997 to August 2000 Mr. Licht was an associate with the law firm of Morgan, Lewis & Bockius, L.P., where his practice specialized in structured finance and securitization. From August 2000, to January 2002, Mr. Licht was general counsel of iATMglobal.net Corporation, a financial services consulting and software company.

Kenneth R. Smith

Presently Mr. Smith manages the operations and compliance functions for Cohen Bros. & Co. Prior to starting Cohen Bros. & Company he worked in various management roles with JP Morgan and the Vanguard Group of Investment Companies. Mr. Smith also served in the United States Air Force for six years.

Andrew Hohns

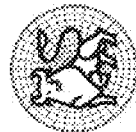
Mr. Hohns has been with Cohen Bros and Co. from its inception. He focuses on equity markets for the firm's structured credit vehicles and real estate products. He has extensive experience with financial services collateral and credits, participating in the formation of the Alesco and Dekania transactions. He is a graduate of the Wharton School at the University of Pennsylvania.

Brian James

Brian James is responsible for Institutional Sales at Cohen Bros and Co. Mr. James most recently managed the Western Taxable Fixed Income desk at UBS. Prior to that he worked in a money market group at Bank America that focused on product origination. Mr. James, a graduate of Greensboro College, is a member of both the Association for Investment Management and Research and the New York Society of Securities Analysts.

Alvar Soosaar

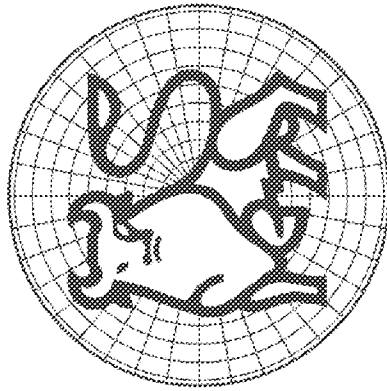
Mr. Soosaar joined Cohen Bros. & Co in April 2004 as an Equity Analyst in the Research Department. He is responsible for equity coverage of non-bank financial services companies. Mr. Soosaar comes to Cohen Bros. from Gallatin & Company, LLC, a Scarsdale, NY-based investment adviser, where he worked as an analyst and assistant to the president, in both research and compliance. Prior to Gallatin, he was at SNL Financial first as a reporter covering non-bank financial services companies, then as Editor of two biweekly merger publications. Mr. Soosaar graduated from the University of Virginia.



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6. Tax Considerations



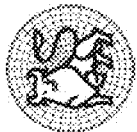
Tax Considerations

The following is a general discussion of the US federal income tax consequences of investment in securities issued by CDO issuers. The precise tax consequences of investment in the Offered Securities may vary based on the terms thereof and the circumstances of particular prospective investors.

U.S. Federal Income Tax Considerations

- Noteholders will be required to treat the Notes as debt for U.S. Federal income tax purposes. It is expected that the Class A Notes and the Class B Notes will, and the Class C and Class D Notes should, be treated as debt for U.S. Federal income tax purposes.⁽¹⁾
- The Class C and Class D Notes may be issued with original issue discount ("OID").⁽²⁾ A U.S. holder of a Note issued with OID generally must accrue OID into income on a constant yield to maturity basis without regard to cash payments actually received from the Issuer which could result in such U.S. holder owing tax on "phantom income."
- U.S. holders of Preference Shares (and Notes that are treated as equity interests for U.S. Federal income tax purposes) will be treated as owning an interest in a "passive foreign investment company" ("PFIC") and are strongly urged to consult their tax advisors on the advisability of electing to treat the Issuer as a "Qualifying Electing Fund" ("QEF").
- Upon such election, a U.S. holder will be required to currently include its pro rata share of the Issuer's ordinary income and net capital gains without regard to the cash distributions actually received from the Issuer which could result in a U.S. holder owing tax on significant amounts of "phantom income."
- In the absence of such an election, a U.S. holder will be subject to potentially significant tax charges on gains on disposition and certain "excess" distributions (generally, distributions in any year exceeding 125% of the average amount received during the three preceding years or, if shorter, the U.S. holder's holding period). QEF inclusions or distributions from a PFIC are not eligible for either (i) the dividends received deduction or (ii) the preferential rate on dividend income.
- The Issuer could also be a controlled foreign corporation if U.S. persons that each own at least 10% of the Issuer's voting equity (for U.S. Federal income tax purposes) together own more than 50% of the Issuer's equity. If the Issuer were a CFC, a U.S. holder that owned 10% or more of the Issuer's voting equity (for U.S. Federal income tax purposes) (i) would not be subject to the PFIC rules described above and (ii) would recognize each year as ordinary income its pro rata share of the Issuer's "subpart F income" (which in the case of the Issuer would be its net earnings) without regard to the cash distributions actually received from the Issuer which could result in such 10% U.S. holder owing tax on significant amounts of "phantom income." Subpart F inclusions are generally not eligible for either (i) the dividends received deduction or (ii) the preferential rate on dividend income.
- U.S. investors that acquire Preference Shares (and/or Notes that are treated as equity interests for U.S. Federal income tax purposes) at issuance will be required to file a Form 926 or a similar form with the U.S. Internal Revenue Service. **In the event that such U.S. holder fails to file any such required form, such U.S. holder could be subject to a penalty (generally up to a maximum of \$100,000), computed in the amount of 10% of the fair market value of the securities purchased by such U.S. holder.** Certain tax shelter reporting requirements may also apply to such a U.S. holder.
- A U.S. tax-exempt investor should generally not be subject to unrelated business income tax ("UBIT") as a result of an investment in the Notes or the Preferred Shares unless such 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 for U.S. Federal income tax purposes, and accordingly, its income will not be subject to U.S. Federal income tax on a net income basis. 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.
- If the assets of the Issuer were insufficient to repay the U.S. holders of the Preference Shares or Notes in full, such holders would generally recognize a capital loss on their investment for U.S. Federal income tax purposes. In addition, a U.S. holder may be limited in its ability to use such capital losses to offset income previously recognized with respect to the Preference Shares or Notes.

PROSPECTIVE INVESTORS SHOULD READ THE DISCLOSURE OF U.S. TAX CONSIDERATIONS IN THE OFFERING CIRCULAR TO BE PROVIDED WHICH WILL INCLUDE MORE DETAILED INFORMATION REGARDING THE MATTERS ABOVE, WHETHER THIS OFFERING OR THE DISCUSSION OF U.S. TAX CONSIDERATIONS IN THE OFFERING CIRCULAR CONSIDERS THE CIRCUMSTANCES OF PARTICULAR INVESTORS. THEY ARE NOT SUBSTITUTES FOR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS.

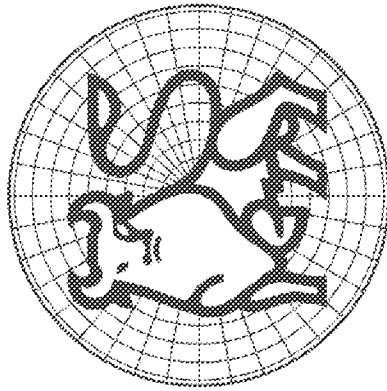


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(1) This expected treatment is based on transaction numbers as of the date of this document and may be subject to change.
(2) As of the closing date, based on final transaction numbers, it is possible that other Note classes could be issued with OID.



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Appendix A: Collateral Cashflow Formulas



Appendix A Collateral Cashflow Formulas

Calculation of Collateral Defaults in each Period

$$\text{Defaults} = B * D / \text{PPY}$$

where:

B= Beginning performing collateral balance (w/o reduction for current amortization or prepayments)

D = Annual Default rate (%)

PPY = number of payments per year (e.g 4 for quarterly)

Calculation of Interest Payments in each Period

$$\text{Interest} = (B - \text{Defaults}) * C * \text{DCF}$$

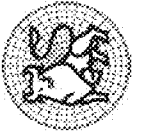
where:

B= Beginning performing collateral balance (w/o reduction for current amortization or prepayments)

Defaults = defaults in the current period

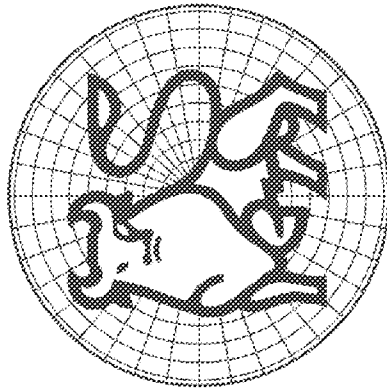
C = collateral interest rate for the period

DCF = collateral daycount fraction for the period (expressed in years)





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Appendix B: Additional Definitions



Appendix B Additional Definitions⁽¹⁾⁽²⁾

Interest Coverage Ratio:

The sum with respect to any Due Period, without duplication, of (i) the scheduled interest payments due (in each case regardless of whether the due date for any such interest payment has yet occurred) in the Due Period in which such Measurement Date occurs on (x) the Collateral Debt Securities (other than Interest Only Securities that are not Qualifying Interest Only Securities), (y) any Eligible Investments held in the Collection Accounts (whether such Eligible Investments were purchased with Interest Proceeds or Principal Proceeds) and (z) any investments held in each Synthetic Security Counterparty Account, plus (ii) any fees actually received by the Issuer during such Due Period that constitute Interest Proceeds plus (iii) the amount, if any, scheduled to be paid to the Issuer by the Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreement on the Distribution Date relating to such Due Period and the amount, if any, to be paid by each Synthetic Security Counterparty on each Defeased Synthetic Security on or prior to the Distribution Date relating to such Due Period, minus (iv) the amount, if any, scheduled to be paid to the Interest Rate Hedge Counterparty by the Issuer under the Interest Rate Hedge Agreement on the Distribution Date relating to such Due Period minus (v) the amount, if any, scheduled to be paid pursuant to paragraph (1) under the Interest Proceeds Priority of Payments for accrued and unpaid administrative expenses of the Co-Issuers minus (vi) the amount, if any, scheduled to be paid to the Collateral Manager of accrued and unpaid Senior Collateral Management Fees plus (vii) the amount released from the Interest Equalization Account for deposit into the Interest Collection Account with respect to such Due Period minus (viii) the portion of the scheduled payments of interest on Semi-Annual Pay Securities due in such Due Period required to be deposited into the Interest Equalization Account; divided by

(b) an amount equal to the sum of the scheduled interest on such class of notes and any notes senior to such class. (including any Defaulted Interest thereon and any accrued interest on such Defaulted Interest) payable on the immediately succeeding Distribution Date

Overcollateralization Ratio:

As of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by the sum of (b) the aggregate outstanding principal amount of such class of notes and any notes senior to such class.

- (1) Each Class of Notes shall, on any Distribution Date, be subject to mandatory redemption in the event that any Coverage Test applicable to any Class of Notes is not satisfied on the related Determination Date. Any such redemption will be effected, first, from Interest Proceeds and, second (to the extent that the application of Interest Proceeds pursuant to the Priority of Payments would be insufficient to cause such tests to be satisfied), from Principal Proceeds, in each case to the extent necessary to cause each applicable Coverage Test to be satisfied. Any such redemption will be applied to each outstanding Class of Notes in accordance with its relative Seniority and will otherwise be effected as described under "Description of the Notes - Priority of Payments" in the relevant offering circular. In some circumstances in certain transactions, redemption will be applied to each outstanding Class of Notes in reverse order of seniority. Definitions vary from transaction to transaction. For the definition in any given transaction, see the relevant documents for that transaction.
- (2) OC and IC test levels are not a definitive indicator of transaction performance. Potential investors are urged to conduct their own investigation regarding the underlying asset classes, including reviewing relevant documents for the transactions noted and obtaining additional information regarding the underlying collateral. A review of the structure of each transaction is necessary in order to fully evaluate that transaction's performance.

