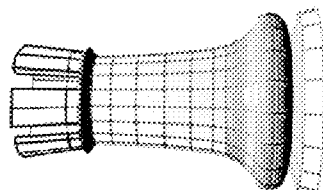
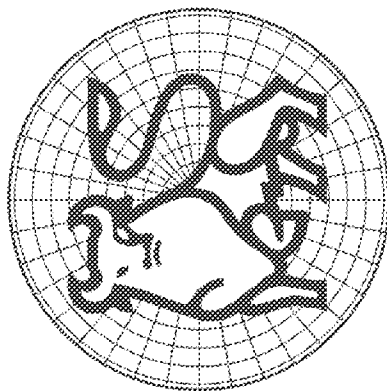


Libertas

PREFERRED FUNDING I



A CDO Managed by:

Strategos
CAPITAL MANAGEMENT, LLC

An affiliate of  **COHEN BROTHERS, LLC**

May 2006



Global Markets & Investment Banking Group

Important Notice

This Confidential Discussion Material (this "Material") outlines certain characteristics of a proposed collateralized debt obligation transaction ("CDO"). This Material is presented solely for purposes of discussion to assist prospective investors in determining whether they have a preliminary interest in investing in a transaction with the general characteristics described herein. This transaction is in a structuring phase and there may be material changes to the structure, terms and assets prior to the offering of any of the CDO securities (the "Securities").

AN INVESTMENT IN THE SECURITIES WILL NOT BE APPROPRIATE FOR ALL INVESTORS. STRUCTURED INVESTMENT PRODUCTS, LIKE THE OFFERED SECURITIES, ARE COMPLEX INSTRUMENTS, AND TYPICALLY INVOLVE A HIGH DEGREE OF RISK AND ARE INTENDED FOR SALE ONLY TO SOPHISTICATED INVESTORS WHO ARE CAPABLE OF UNDERSTANDING AND ASSUMING THE RISKS INVOLVED. ANY INVESTOR INTERESTED IN PURCHASING THE SECURITIES SHOULD CONDUCT ITS OWN INVESTIGATION AND ANALYSIS OF THE PRODUCT AND CONSULT ITS OWN PROFESSIONAL ADVISERS AS TO THE RISKS INVOLVED IN MAKING SUCH A PURCHASE.

AN INVESTMENT IN THE SECURITIES IS EXPECTED TO HAVE LIMITED LIQUIDITY. NO SECONDARY MARKET EXISTS FOR THE SECURITIES AND NONE MAY DEVELOP.

A SIGNIFICANT OR TOTAL LOSS OF INVESTMENT COULD OCCUR. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

CERTAIN TAX FILINGS MAY BE (AS DEFINED BELOW) REQUIRED TO BE MADE AS A RESULT OF YOUR INVESTMENT IN THESE SECURITIES. SEE TAX CONSIDERATIONS IN THIS MATERIAL AND IN THE OFFERING CIRCULAR.

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(Continued)

THE ATTENTION OF POTENTIAL INVESTORS IS DRAWN TO "SECTION 4—RISK FACTORS" AND "SECTION 5—TAX CONSIDERATIONS" AND TO THE RISK FACTORS AND TAX CONSIDERATIONS WHICH WILL BE DESCRIBED MORE FULLY IN THE OFFERING CIRCULAR



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Important Notice

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Moreover, hypothetical performance analyses will address only certain aspects of the characteristics of the Securities and will not provide a complete assessment of the results that may follow from all possible contingencies (including default, interest rate and other scenarios and certain economic features of the Securities, including call features and cash flow diversion events). Prospective investors should understand the assumptions used in any analysis and evaluate whether they are appropriate for their purposes. Prospective investors should further consider whether the behavior of these Securities should be tested based on assumptions different from those used to prepare the analyses. Neither the Collateral Manager or Merrill Lynch assume any duty to update any forward looking statement.

Note to Historical Data: Any historical investment results of any person or entity described in this Material are not indicative of the 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 a collateral manager or adviser and are not intended as a representation or warranty by Merrill Lynch, the Collateral Manager, or any other person or entity as to the actual composition of or performance of any future investments that would be made by the Issuer. The nature of, and risks associated with, the 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 Issuer's investments will perform as well as, or in a manner similar to, the past investments of any such persons or entities. For these reasons, there are limitations on the value of the hypothetical illustrations contained herein. This Material is provided to you on the understanding that as a sophisticated investor, you will understand and accept its inherent limitations, 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.

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THE ATTENTION OF POTENTIAL INVESTORS IS DRAWN TO "SECTION 4--RISK FACTORS" AND "SECTION 5--TAX CONSIDERATIONS" AND TO THE RISK FACTORS AND TAX CONSIDERATIONS WHICH WILL BE DESCRIBED MORE FULLY IN THE OFFERING CIRCULAR



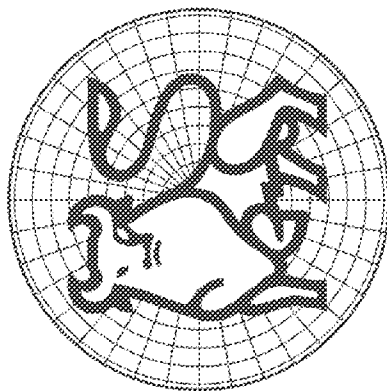
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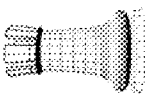
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2. Asset Class Selection
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 - B. Libertas Portfolio
3. Transaction Highlights
4. Risk Factors
5. The Collateral Manager
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1. Transaction Summary



Transaction Summary

This transaction is in a structuring phase and there may be material changes to the structure, terms and assets prior to the offering of any securities.

- Libertas Preferred Funding I (“Libertas”) or the “Issuer”) is a newly formed mezzanine collateralized debt obligation (“CDO”) incorporated under the laws of the Cayman Islands that will be managed by Strategos Capital Management, LLC (“Strategos” or the “Collateral Manager”).
- Libertas plans to issue \$601.6 MM of securities (the “Offered Securities”) backed by a portfolio of Asset-Backed Securities (“ABS”), Residential Mortgage Backed Securities (“RMBS”)(1), Commercial Mortgage Backed Securities (“CMBS” and collectively with ABS and RMBS, “Structured Finance Securities”), securities issued by other CDOs (“CDO Securities”)(2) and Synthetic Securities(3) of which the reference obligation(s) are any of the foregoing.
- It is anticipated that the portfolio will consist of approximately [90]% Structured Finance Securities and [10]% CDO Securities.
- Structured Finance Securities have historically exhibited lower default rates, higher recovery upon default and better rating stability than comparably rated corporate bonds. Consequently, CDOs of which the underlying collateral consists primarily of Structured Finance Securities have historically outperformed other CDO types.(5)(6)
- Libertas will issue the following eight Classes of Offered Securities to be backed primarily by Structured Finance Securities, CDO Securities and Synthetic Securities (4)(6):

Assets held by Libertas

Securities Issued by Libertas

**Structured Finance
Securities, CDO
Securities and
Synthetic Securities
referencing Structured
Finance Securities &
CDO Securities**

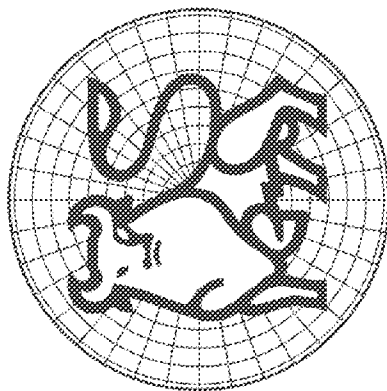
\$26.0MM Class A-1	
Aaa/Aaa/Aaa	
Moody's Aaa/Pfitch	
\$28.0MM Class A-2	
Aaa/Aaa/Aaa	
Moody's Aaa/Pfitch	
\$32.4MM Class B	
Aaa/Aaa/Aaa	
Moody's Aaa/Pfitch	
\$5.4MM Class C	
Aaa/Aaa/Aaa	
Moody's Aaa/Pfitch	
\$24.0MM Class D	
Aaa/Aaa	
Moody's Aaa/Pfitch	
\$13.0MM Class E	
Baa2/Baa2/Baa2	
Moody's Baa2/Pfitch	
\$12.0MM Class F	
Baa2/Baa2/Baa2	
Moody's Baa2/Pfitch	
\$19.0MM Preference Shares	
Not Rated	

NOTE: A credit rating is not a recommendation to buy, hold or sell securities and is subject to revision at any time. Please see "Risk Factors — Credit Ratings."

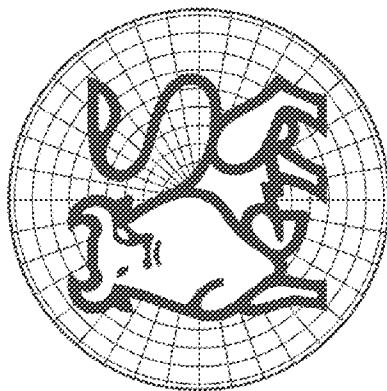
- (1) RMBS includes: "RMBS – Prime" which are securities that have a weighted average FICO between 625 and 700, "RMBS – Subprime" which are securities that have a weighted average FICO below 625. A FICO score is a credit score, a method of determining the likelihood that credit users will pay their bills.
- (2) These elements of underlying collateral already exist as investment vehicles. They should not be confused with the Offered Securities.
- (3) Please see "Risk Factors – Synthetic Securities" for further information relating to the risks of investing in Synthetic Securities.
- (4) Please see "Transaction Highlights – Structuring Assumptions" for a description of modeling assumptions.
- (5) Similar published information is not available for CDO Securities.
- (6) Synthetic Securities referencing Structured Finance Securities are subject to additional risk. See "Risk Factors – Synthetic Securities."



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2. Asset Class Selection



A. Structured Finance Securities Market Overview

Structured Finance Securities Market Overview

Historical Default Rates for BBB-Rated Structured Finance Securities^{(1) (5)}

The Offered Securities will be backed by a pool of assets that consists primarily of "BBB" rated Structured Finance Securities

Historical default rates for BBB-Rated
Structured Finance Securities



RMBS 1-year weighted average default rate (1978 - 2005)	~ 0.1% ⁽²⁾
CMBS 1-year weighted average default rate (1985 - 2005)	~ 0.2% ⁽³⁾
ABS 1-year weighted average default rate (1985 - 2005)	~ 0.6% ⁽⁴⁾
ABS 1-year weighted average default rate (1985 - 2005)	~ 0.0%
(For all asset classes excluding Manufactured Housing and Franchise Loans)	
ABS CDO Security impairment rate	not available

NOTE: The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success. See "Important Notice - Note to Historical Data".

A default with respect to a Synthetic Security may be triggered even in situations where the corresponding cash asset has not experienced a payment default, e.g., in the case of counterparty default, "soft" credit events, and ratings downgrades. See "Risk Factors - Synthetic Securities."

- (1) Source: Standard & Poor's, "Rating Transitions 2005: Global Structured Securities Exhibit Solid Credit Behavior," March 2, 2006.
- (2) The total number of RMBS ratings outstanding in 2005 across all rating categories is 35,838. See Appendix 6.
- (3) The total number of CMBS ratings outstanding in 2005 across all rating categories is 7,088. See Appendix 5.
- (4) The total number of ABS ratings outstanding in 2005 across all rating categories is 8,726. Note that this default rate includes asset classes that have historically exhibited high default rates but are prohibited in this transaction, including MH and franchise loans. See Appendix 4.
- (5) Certain of the information contained has been obtained from third party sources and neither Merrill Lynch, the Collateral Manager nor any of their respective 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. Past performance is not a guarantee or indication of future performance.



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Structured Finance Securities Market Overview

Historical Recovery Rates of Structured Finance Securities (1)(2)(4)

- A recent S&P study on recovery rates of collateral has concluded the following:
 - S&P estimates that the ultimate recovery rate for BBB-rated U.S. RMBS is approximately 52%.⁽¹⁾
- Structured Finance Securities, including RMBS/HEL securities, may receive more substantial cashflow in respect of interest and principal after a default than comparable corporate securities.

By contrast, the average recovery rate for corporate bonds from 1987-2005 is approximately 42.6%⁽³⁾.

- (1) Source: S&P, "Recovery Study Reveals behavior of Structured Finance Securities After Default," March 2006. Data is based on a limited number of defaults. These estimates are based on the historical data and are subject to change as more data become available in the future to estimate and validate the "true" ultimate recovery rates.
- (2) The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success. See "Important Notice – Note to Historical Data". Certain of the information contained herein has been obtained from third party sources and neither Merrill Lynch, the Collateral Manager nor any of their respective 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.
- (3) Source: S&P, "Annual 2005 Global Corporate Default Study And Rating Transitions", January 2006. Based on senior unsecured ratings.
- (4) The recovery value with respect to a Synthetic Security referencing a Structured Finance Security or CDO Security is dependent on settlement mechanics set forth in the terms and conditions of such Synthetic Security which may be substantially different from the manner in which recovery is paid on the corresponding cash asset. The recovery value with respect to a Synthetic Security referencing a Structured Finance Security or CDO Security may therefore not be the same as the recovery value with respect to such Structured Finance Security or CDO Security. See "Risk Factors – Synthetic Securities."

Note: Published data on ABS CDO recovery rates is not currently available.



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Structured Finance Securities Market Overview

Rating Stability⁽¹⁾ (2) (3)

'BBB' RMBS transitions have compared favorably to corporates.

The RMBS stability ratio during this period runs 98.1% compared to 94.0% for corporates during the same time period.

One-year average Corporate rating transition ratios (%), 1981-2005										
Rating	AAA	AA	A	BBB	BB	B	CCC/C	D	Corp. Stability Ratio*	RMBS Stability Ratio*
AAA	92.2	7.1	0.6	0.05	0.1				92.2	99.9
AA	0.6	90.8	7.6	0.7	0.1	0.2	0.03	0.02	91.4	98.6
A	0.1	1.9	91.2	6	0.5	0.2	0.04	0.1	93.2	98.8
BBB	0.03	0.2	4	89.8	4.8	0.8	0.1	0.3	94	98.1
BB	0.1	0.1	0.3	6	82.8	8.8	0.8	1.2	89.3	97.2
B		0.1	0.2	0.3	5.8	82.9	4.8	5.8	89.3	95.5
										6.2

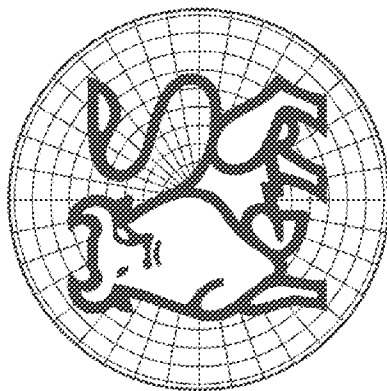
For the 1981 to 2005 period, rating stability in RMBS has been higher than in corporate bonds. In fact, the stability ratio was more than 4% higher in each of the rating categories from 'AAA' to 'B'.

*Stability ratio is the percentage of the ratings that either stayed the same or were raised. Corporate transition rates are adjusted by removing withdrawn ratings in the rate calculation. Full rating categories are used when determining rating transitions such as upgrades and downgrades. Each period's outstanding number of issuer ratings is used for weighted average statistics. Difference refers to the difference between this period's upgrade/stable ratio and weighted average transition rates. Data Source: Standard & Poor's CreditPro 7.02.

- (1) Source: Standard & Poor's, "Rating Transitions 2005: U.S. RMBS Volume and Rating Activity Continue to Set Records," January 24, 2006.
- (2) 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.
- (3) The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success.



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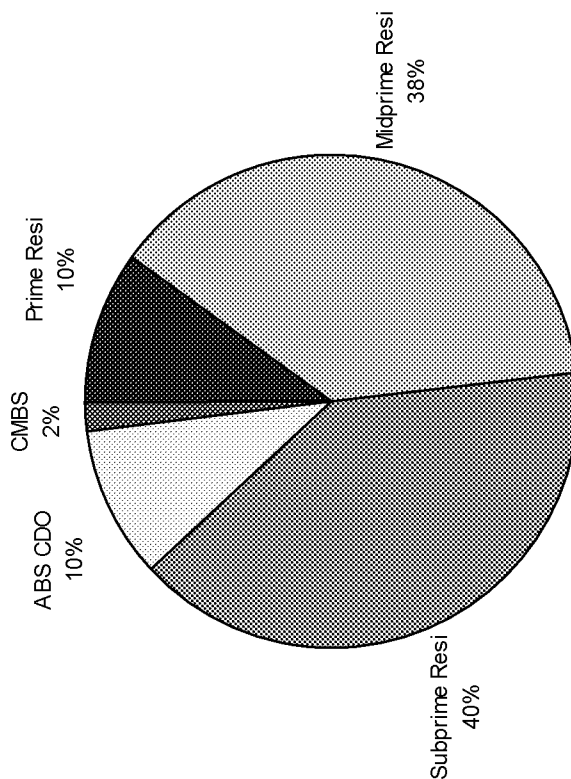
B. Libertas Portfolio

Libertas Portfolio

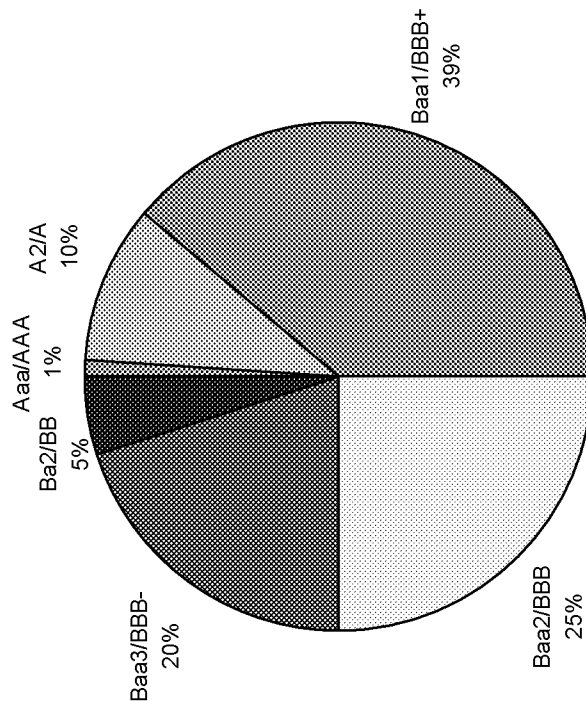
Portfolio Composition for Illustrative Purposes

Representative Portfolio ⁽¹⁾ - This transaction is in a structuring phase and there may be material changes to the structure, terms and assets prior to the offering of any securities.

Representative Asset Distribution



Representative Ratings Distribution



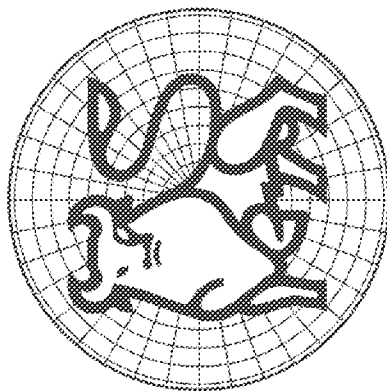
NOTE: The Representative Portfolio is an indicative target portfolio assumed for modeling purposes, and therefore the actual portfolio of the Issuer is expected to vary from the Representative Portfolio. The actual structure of the final transaction, including the composition of the collateral to be acquired, will be determined at or around the time of pricing of the Offered Securities based upon market conditions and other factors applicable at that time. The actual portfolio in July 2006 [anticipated ramp-up completion date] may therefore be materially different from the one presented above and the portfolio may change over time.

Up to [40]% of the portfolio may be composed of Synthetic Securities. Synthetic Securities may reference obligations in any of these asset classes but are expected to primarily reference ABS CDO Securities. Please see "Risk Factors - Synthetic Securities" for additional risks relating to Synthetic Securities.

(1) It is expected that the assets held by Libertas, which back the Offered Securities, will consist of [triple B] rated (i) Asset Backed Securities including RMBS and CMBS and (ii) CDO Securities. It is anticipated that up to [10.0]% of the assets held by Libertas may consist of such CDO Securities; provided that the securities issued by any one CDO may not exceed [1.0]% of the 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 CDO Securities will increase to the extent securities issued by those CDO Securities are also included in the assets of Libertas.



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3. Transaction Highlights

Transaction Highlights⁽¹⁾

Summary of Terms

Type ABS CDO Cash Flow Transaction **Manager** Strategos Capital Management, LLC
Issuer Libertas Preferred Funding I, Ltd. **Total Size** \$601.6 MM

	CLASS A-1 NOTES ⁽²⁾⁽⁹⁾	CLASS A-2 NOTES ⁽²⁾	CLASS B NOTES ⁽²⁾	CLASS C NOTES ⁽²⁾	CLASS D NOTES ⁽²⁾	CLASS E NOTES ⁽²⁾	CLASS F NOTES ⁽²⁾	CLASS G NOTES ⁽²⁾	PREFERENCE SHARES ⁽²⁾
Principal	\$420,000,000	\$66,000,000	\$32,400,000	\$5,400,000	\$24,000,000	\$13,800,000	\$12,000,000	\$9,000,000	\$19,000,000
% of Liabilities	69.8%	11.0%	5.4%	0.9%	4.0%	2.3%	2.0%	1.5%	3.2%
Coupon Type	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Residual
Expected Rating	Aaa/AAA/AAA ⁽⁷⁾	Aaa/AAA/AAA ⁽⁷⁾	Aa2/AA/AA ⁽⁷⁾	Aa3/AA-/AA- ⁽⁷⁾	A2/AA ⁽⁷⁾	Baa2/BBB/BBB ⁽⁷⁾	Baa3/BBB-/BBB- ⁽⁷⁾	Ba1/BB+/BB+ ⁽⁷⁾	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	Moody's/S&P/Fitch	Moody's/S&P/Fitch	Moody's/S&P/Fitch	N/A
Average Life*	5.5 yrs	5.5 yrs	5.5 yrs	5.5 yrs	5.5 yrs	5.1 yrs	5.1 yrs	5.1 yrs	N/A
Stated Maturity	December 5, 2043	December 5, 2043	December 5, 2043	December 5, 2043	December 5, 2043	December 5, 2043	December 5, 2043	December 5, 2043	December 5, 2043
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	\$250,000 min \$1,000 increments	\$250,000 min ⁽⁴⁾ \$1,000 increments	\$250,000 min ⁽⁴⁾ \$1,000 increments

* Based on an auction call occurring in year 6.

Collateral Profile⁽³⁾

- Maximum Single Servicer Concentration: 7.50% ⁽¹¹⁾
- Maximum Correlation Score: <=0.185 ⁽⁵⁾
- Maximum Weighted Average Rating Factor: 525 (Baa2/Baa3) ⁽⁵⁾
- Maximum Fixed Collateral: 6.0%
- Maximum Single Issuer Concentration: 1.0% ⁽¹⁰⁾

- Below Investment Grade Bucket: 5% ⁽⁸⁾
- Maximum Weighted Average Life: 5.0 Years
- Minimum Weighted Average Coupon: 5.60% ⁽⁶⁾
- Minimum Weighted Average Spread: 1.80% ⁽⁶⁾
- Maximum Synthetic Bucket: 40%

Tax Treatment. There are important tax considerations associated with owning the Preference Shares and investors should consult their personal tax advisors prior to making an investment. The Issuer is a "passive foreign investment corporation" and may be a "controlled foreign corporation". U.S. investors in the Preference Shares will need to file certain tax disclosure forms in order to avoid the imposition of penalties associated with an undisclosed investment in a foreign entity (see Tax Considerations).

- All information in these materials is for illustrative purposes only. The actual structure of the final transaction, including the composition of the collateral to be acquired, will be determined at or around the time of pricing the Offered Securities based upon market conditions and other factors applicable at that time. This material includes information that is computed based in part on hypothetical modeling assumptions. The modeling assumptions are mathematical simplifications designed to approximate the effects of the composition of the collateral and the interest rates at which the collateral accrues interest, and none of such assumptions are meant to be historical descriptions nor predictors of future performance. Please see "Transaction Highlights - Structuring Assumptions" for further information on the Modeling Assumptions.
- Payments on the Notes and Preference Shares will be made monthly.
- Please see "Transaction Highlights - Structuring Assumptions" for a description of modeling assumptions.
- Some limited exceptions may be permitted on the Closing Date to the minimum denomination requirements for the Preference Shares.
- Moody's Weighted Average Rating Factor and maximum Asset Correlation are included as structuring assumptions. However it is expected that the actual Moody's Weighted Average Rating Factor test and Asset Correlation test will be established at different combinations of values which may be satisfied together for both tests to be passed. [525] will be the maximum in the Ratings Matrix
- This transaction is in a structuring phase and there may be material changes to the structure, terms and assets prior to the offering of any securities. Following the ramp up period, the expected initial weighted average coupon will be approximately [5.65]% and the expected initial weighted average spread will be approximately [1.84]%,
- A credit rating is not a recommendation to buy, hold or sell securities and is subject to revision at any time. Please see "Risk Factors - Credit Ratings."
- An additional [5]% will be used solely for ratings migration purposes.
- A portion of the Class A-1 Notes may be Delay Draw Notes.
- A limited number of exceptions allowed up to [2.0]%, the remainder will be at [1.0]%, maximum concentration
- With some exceptions.



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Transaction Highlights Structuring Assumptions⁽¹⁾

Collateral Assumptions

Minimum Weighted Average Fixed Coupon ⁽²⁾	5.60%
Minimum Weighted Average Floating Spread ⁽²⁾	1.80%
Maximum Weighted Average Life	5.00 yrs
Principal Amount	\$600MM
Maximum Correlation Score ⁽¹⁾	<=0.185
Maximum Weighted Average Rating Factor ⁽¹⁾	525 (Baa2/Baa3) (525) will be the Maximum Rating Factor based on a WARF/Correlation Matrix

Coverage Tests

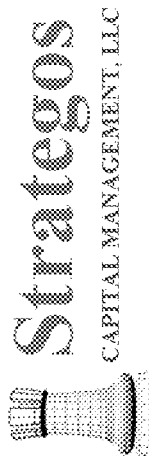
	O/C Tests ⁽³⁾	Initial Class A O/C ⁽⁴⁾
Class A Sequential Pay Test ⁽⁵⁾	121.0%	123.5%

The modeling assumptions are mathematical simplifications designed to approximate the effects of the composition of the collateral and the interest rates at which the collateral accrues interest, and none of such assumptions are meant to be historical descriptions or predictors of future performance. Because they are simplifying assumptions, they have certain inherent limitations, are not conclusive or exhaustive, and alternative modeling techniques may produce significantly different results. Furthermore, because the collateral purchased by the issuer may be different from the model portfolio assumed during the structuring phase, the actual characteristics of the investment portfolio may be different from those assumed, 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. Because this transaction is in a structuring phase, there may be material changes to the structure, terms and assets prior to the offering of any securities. **This information is provided to you on the understanding that, as a sophisticated investor, you will understand and accept its inherent limitations, will review each assumption carefully and make your own determination as to its accuracy or reasonableness, 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. An investor should rely only upon the final offering materials for the definitive conditions and terms of the offering.**

- (1) The expected Moody's Weighted Average Rating Factor and maximum Asset Correlation are included as structuring assumptions. However it is expected that the actual Moody's Weighted Average Rating Factor test and Asset Correlation test will be established at different combinations of values which may be satisfied together for both tests to be passed. [525] will be the maximum in the Ratings Matrix.
- (2) The expected initial weighted average coupon will be approximately [5.65]%. The expected initial weighted average spread will be approximately [1.84]%,
- (3) Test Level represents the levels that must be passed in order not to cause accelerated redemption of the Offered Securities (or to cause the deal to permanently pay principal on the Notes sequentially in the case of a breach of the "Sequential Pay Test").
- (4) The initial Class A Sequential test ratio has been computed using the modeling assumptions specified herein and the structure of the transaction, including portfolio assumptions, currently contemplated. Because this transaction is in a structuring phase and there may be material changes to the structure, terms and assets prior to the offering of any securities, there can be no assurance that the actual sequential pay test ratio on the closing date will be the same as those indicated herein.
- (5) If Class A Sequential Pay Test is breached in the interest waterfall, interest will be used first to pay down the Class A-1 Notes and then the Class A-2 Notes. In the event that a Class A Sequential Pay Test is breached in the principal waterfall, principal will be used to pay down the most senior outstanding Class of Notes.



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Transaction Highlights Structuring Assumptions⁽¹⁾

Benchmark Assumptions⁽²⁾

First Period LIBOR

5.11%

Reinvestment Period

[3] Years; subject to manager discretion

Timing

Closing Date May 25, 2006

Payment Dates Monthly beginning on September 2006

Mandatory Auction Call 6 Years

Non-Call Period 3 Years

Ongoing Annual Fees and Expenses ⁽³⁾

Senior Management Fee

20.0 bps

Subordinate Management Fee

20.0 bps

Incentive Management Fee

20% of excess cashflows once a Pref. Share IRR of 19.8% is achieved

Trustee Fees

2.0 bps

Administrative Expenses

4.0 bps

Administrative Fee Cap

\$250,000 yr

Closing Fees and Expenses

On the Closing Date, a portion of the gross proceeds from the offering will be used to pay various fees and expenses, including expenses, fees and commissions incurred in connection with the acquisition of the underlying collateral, upfront fees to the Collateral Manager, 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 Offered Securities. Rating agencies will consider the amount of net proceeds available to purchase collateral in determining any ratings assigned by them to the Offered Securities. For information about the amount of such fees and expenses, please review the final Offering Circular before investing.



(1) Please review carefully the information pertaining to modeling assumptions set forth in the gray shaded box on p. 19.

(2) As of [04/04/2006]

(3) Calculated on the outstanding collateral balance as of the first day of each payment period.

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Transaction Highlights Structuring Assumptions ⁽¹⁾⁽²⁾

Structuring Assumptions

- **Distribution Dates** - Distribution Dates occur monthly.
- **Ramp-Up** - It is assumed that at least 85% of the Collateral Debt Securities will be purchased at closing and the deal will be fully ramped within [90] days after closing.
- **Mandatory Auction Call**: 6 years.
- **Minimum Preferred Share IRR for Successful Auction Call**: 5% for years 6-8, 2% for years 9-10 and 0% thereafter.
- **Default and Recoveries** - Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each monthly 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 1M LIBOR curve plus its applicable spreads. The Notes accrue interest at the 1M LIBOR curve plus applicable spreads. The 1M LIBOR curve is the forward curve as of [04]/[04]/[2006].⁽³⁾
- **Intraperiod Reinvestment** - Principal and interest proceeds are assumed to be reinvested and accrue interest at the 1M LIBOR curve minus [0.25]%.⁽⁴⁾
- **Reinvestment Period** - 3 year; reinvestment at manager's discretion. ⁽⁴⁾
- **Reset Frequency** - CDO assets and liabilities are assumed to reset based on the same monthly LIBOR rates.
- **First Period Interest Calculation** - First period interest is assumed to be 100% of a full period's assumed interest.
- **Yield Calculations** - Preference Shares (and Preference Shares combo, if any) yields are calculated using annual compounding.

(1) Please see footnote (1) on page 15.

(2) Please see "Important Notice - Forward Looking Statements" for important information on hypothetical illustrations, forecasts, and estimates.

(3) Forward LIBOR curve refers to the curve containing the expected rates that investors in the market are willing to pay to borrow money for fixed periods (e.g., 3 months) at some given point in the future.

(4) Please see "Risk Factors - Reinvestment Risk" for important information on reinvestment.



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Transaction Highlights⁽¹⁾

Interest Proceeds Payment Waterfall

Interest Proceeds
Taxes Paid by the Collateralizers
Senior Expenses (capped)
Senior Collateral Management Fee
Senior Hedge Counterparty Payments
Class A-1 Note Interest
Class A-2 Note Interest
Class B Note Interest
Class C Note Interest
Class D Note Interest
Class E Note Interest
Class F Note Interest
Class G Note Interest
Payment of the deferred interest on Class D, Class E, Class F and Class G Notes
Subordinated Expenses, Subordinated Management Fee, Hedge Payments
20% of the remaining Interest Proceeds used to Amortize Class E, Class F and Class G Notes Pro Rata
Unpaid Senior Expenses
Preference Share Payments

Priority of Payments

Principal Proceeds Payment Waterfall

Principal Proceeds
Payment to Cover Certain Interest Proceeds Shortfall
Class A-1, Class A-2, Class B and Class C Notes Unpaid Interest sequentially
If during a Sequential Pay Period ⁽⁷⁾ , payment of the principal on the Class A-1, A-2, B and C Notes in sequential order until fully paid. If during a Pro Rata Pay Period ⁽⁶⁾ , payment of the Principal on the Class A-1, A-2, B and C Notes on a pro rata basis up to the Class A/B/C Pro Rata Principal Payment Cap. ⁽²⁾
Class D Note Unpaid Interest
If during a Sequential Pay Period ⁽⁷⁾ , payment of the principal on the Class D Notes. If during a Pro Rata Pay Period ⁽⁶⁾ , payment of the Principal on the Class D Notes up to the Class D Pro Rata Principal Payment Cap. ⁽³⁾
Class E Note Unpaid Interest
If during a Sequential Pay Period ⁽⁷⁾ , payment of the principal on the Class E Notes. If during a Pro Rata Pay Period ⁽⁶⁾ , payment of the Principal on the Class E Notes up to the Class E Pro Rata Principal Payment Cap. ⁽⁴⁾
Class F Note Unpaid Interest
If during a Sequential Pay Period ⁽⁷⁾ , payment of the principal on the Class F Notes. If during a Pro Rata Pay Period ⁽⁶⁾ , payment of the Principal on the Class F Notes up to the Class F Pro Rata Principal Payment Cap. ⁽⁵⁾
Class G Note Unpaid Interest
Payment of the Principal on Class G Notes
Reinvest the remaining Principal Proceeds
Subordinated Expenses, Subordinated Management Fee, Hedge Payments
Unpaid Expenses in the Interest Waterfall
Preference Share Payments

- (1) All information on this slide is for illustrative purposes only. This transaction is at a structuring phase and the actual structure of the transaction may differ from those presented herein.
- (2) The "Class A/B/C Pro Rata Principal Payment" Cap is the amount of Principal Proceeds available for distribution multiplied by the sum of the outstanding balances of the Class A-1, Class A-2, Class B and Class C Notes divided by the sum of the outstanding balances of the Class A-1, Class A-2, Class B, Class C Notes, Class D, Class E, Class F and Class G Notes.
- (3) The "Class D Pro Rata Principal Payment" Cap is the amount of Principal Proceeds available for distribution multiplied by the sum of the outstanding balance of the Class D Notes divided by the sum of the outstanding balances of the Class D, Class E, Class F & Class G Notes.
- (4) The "Class E Pro Rata Principal Payment" Cap is the amount of Principal Proceeds available for distribution multiplied by the sum of the outstanding balance of the Class E Notes divided by the sum of the outstanding balances of the Class E, Class F & Class G Notes.
- (5) The "Class F Pro Rata Principal Payment" Cap is the amount of Principal Proceeds available for distribution multiplied by the sum of the outstanding balance of the Class F Notes divided by the sum of the outstanding balances of the Class F and Class G Notes.
- (6) "Pro Rata Pay Period" means any Distribution Date for which the Determination Date does not occur during a Sequential Pay Period.
- (7) "Sequential Pay Period" means the period commencing on the earliest to occur of (a) any determination date on which the Issuer does not satisfy any applicable Coverage Test, (b) the first date on which the aggregate principal balance of all pledged collateral debt securities held by the Issuer is less than [50%] of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, (c) the first measurement date on which the Sequential Pay Test is not satisfied, (d) the first determination date on which an Event of Default has occurred and is continuing and (e) the first date on which the rating of any Outstanding Class of Notes by Standard & Poor's has been reduced or withdrawn, provided, that if a Sequential Pay Period has commenced as a result of a breach of the Sequential Pay Test, such Sequential Pay Period shall cease on the first measurement date that such breach of the Sequential Pay Test has been cured, and a Pro Rata Period shall commence on the immediately succeeding distribution date, but if such Sequential Pay Period has commenced for any other reason, a Pro Rata Pay Period may not commence on any future date.



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Transaction Highlights

Break Even Default Rates (1)(2)(3)(4)(5)

BREAKEVEN DEFAULT RATES	Based on a Break in Yield		Based on 0% Yield	
	Class Description (Moody's/S&P/Fitch)	Annual Default Rate	Cumulative Gross Defaults	Annual Default Rate
	Class A-1 First Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	16.1%	62.8%	39.3%
	Class A-2 Second Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	9.2%	43.8%	13.4%
	Class B Third Priority Senior Floating Rate Notes (Aa2/AA/AA)	6.4%	33.0%	8.3%
	Class C Fourth Priority Senior Floating Rate Notes (Aa3/AA-AA-)	5.8%	30.8%	6.2%
	Class D Fifth Priority Mezzanine Deferrable Floating Rate Notes (A2/A/A)	3.2%	18.3%	4.9%
	Class E Sixth Priority Mezzanine Deferrable Floating Rate Notes (Baa2/BBB/BBB-)	2.3%	13.6%	3.2%
	Class F Seventh Priority Mezzanine Deferrable Floating Rate Notes (Baa3/BBB-/BBB-)	1.8%	10.7%	3.1%
	Class G Eight Priority Mezzanine Deferrable Floating Rate Notes (Ba1/BB+/BB+)	1.5%	7.5%	2.8%
				13.7%

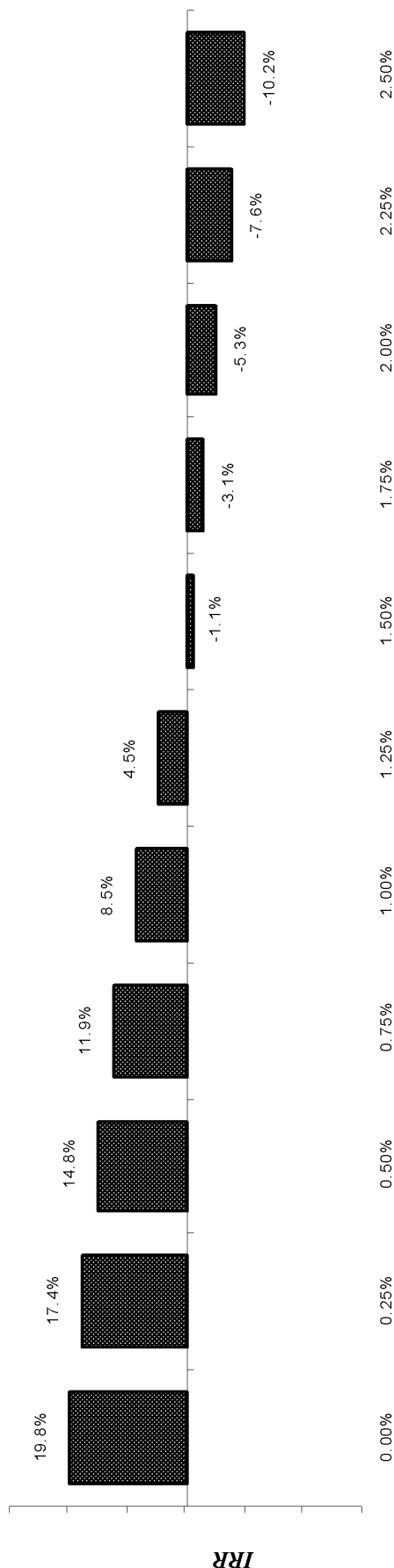
- (1) "Break in yield" is the default rate at which the first dollar loss in principal occurs, and "0% Yield" is the default rate at which total cashflow received does not equal initial investment. Please see Appendix A for a description of Collateral Cashflow Formulas.
- (2) Assuming annual constant defaults beginning immediately, [60] recovery rate, forward LIBOR. Please see "Transaction Details - Structuring Assumptions" for a description of modeling assumptions. Assumes a weighted average spread of [1.84]%, and weighted average coupon of [5.65]%,
- (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.
- (4) Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each monthly Distribution Date. Defaulted assets are assumed to be sold immediately at a price equal to the applicable recovery rate.
- (5) Future market and economic conditions are impossible to predict. Future market or historical economic conditions that materially differ from those on which the assumptions are based may have a negative impact on the performance of Libertus. For these reasons, there are limitations on the value of this or any hypothetical illustration. This information is not intended to be either an express or implied guaranty of investment performance. See "Important Notice" at the beginning of the Material.



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Transaction Highlights

Preference Share IRR⁽¹⁾



Annual Default Rate

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

This hypothetical illustration is based in part on modeling assumptions which are mathematical simplifications designed to approximate the effects of the composition of the collateral and the interest rates at which the collateral accrues interest. None of such assumptions are meant to be historical descriptions nor predictors of future performance and the hypothetical illustration does 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 [Preference Shares], including call features and cash flow diversion events). Simplifying assumptions have certain inherent limitations, and alternative modeling techniques may produce significantly different results. The models will produce different illustrative returns if the modeling assumptions were changed based on any changes in the structure or assets for this transaction after the date hereof. Because this transaction is in a structuring phase, there may be material changes to the structure, terms and assets prior to the offering of any securities, and the actual performance of any securities issued will differ, and may differ substantially, from that set forth in the attached illustrations. The information in the graph above should not be considered a prediction of the performance of the Issuer or the [Preference Shares]. ***This information is provided to you on the understanding that as a sophisticated investor, you will understand and accept its inherent limitations, will review each assumption carefully and make your own determination as to its accuracy or reasonableness, 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.***

Future market and economic conditions are impossible to predict. Future market or historical economic conditions that materially differ from those on which the assumptions are based may have a negative impact on the performance of Libertas. For these reasons, there are limitations on the value of this or any hypothetical illustration. This information is not intended to be either an express or implied guaranty of investment performance. See "Important Notice" at the beginning of the Material.

(1) Please see prior pages for description of structuring assumptions. Annual defaults begin immediately at "Stated Default Rate." Recovery Assumptions: [60]%. Assumes an initial weighted average spread of [1.84]% and an initial weighted average coupon of [5.65]%. Defaults are applied on the outstanding collateral balance at the beginning of each monthly Distribution Date. Defaulted assets are assumed to be sold immediately after default at a price equal to the applicable recovery rate.



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Transaction Highlights

Key Dates

Beginning of Warehouse Ramp Up	↑	June 2005
Debt Pricing	↑	April 2006
Funding/Settlement Date ⁽¹⁾	↑	May 25, 2006
Ramp Up Completion Date ⁽¹⁾	↑	July 2006
End of Reinvestment Period	↑	August 2009
End of Non - Call Period	↑	August 2009
First Auction Call Date	↑	August 2012
Stated Maturity	↑	December 5, 2043



(1) At least 85% of the Collateral Portfolio is expected to be purchased or identified by the settlement 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

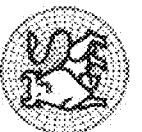
Cayman Islands Exempted Company

Domicile/Form of Co-Issuer

Delaware Corporation

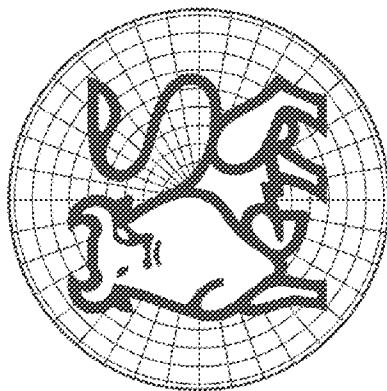
Listed

[Irish Stock Exchange] (Notes Only)
[Channel Islands Stock Exchange] (Preference Shares
Only)⁽¹⁾



(1) There can be no assurance that the listing of the Notes on the [Irish Stock Exchange] or the listing of the Preference Shares on the [Channel Islands Stock Exchange] will be granted.

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4. Risk Factors

Risk Factors

An investment in the Offered 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 Offered Securities until after such investor has had an opportunity to read and review carefully the Offering Circular.

Limited Liquidity. There is currently no market for the Offered Securities. Although Merrill Lynch may from time to time make a market in any class of Offered Securities, it is under no obligation to do so. In the event that Merrill Lynch commences any market-making, it may discontinue the same at any time. There can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. In addition, the Offered Securities are subject to transfer restrictions and can only be transferred to certain transferees. **Consequently, an investor in the Offered Securities must be prepared to hold its Offered Securities for an indefinite period of time.**

Limited-Recourse Obligations. The Notes will be limited-recourse obligations of the Co-Issuers, payable solely from the collateral pledged by the Issuer to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the trustee, the administrator of the Issuer, the Collateral Manager, Merrill Lynch, any of their respective affiliates or 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, interest and commitment fee (in the case of Class A-2 Notes) 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 Issuer to pay such deficiencies will be extinguished. The Co-Issuer will have no material assets.

Payments in respect of the Preference 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 Preference Shares as and when such proceeds are released from the lien of the indenture in accordance with the priority of payments that will be set forth therein. There can be no assurance that, after payment of principal and interest on the Notes and other fees and expenses of the co-issuers in accordance with such priority of payments, the Issuer will have funds remaining to make distributions in respect of the Preference Shares.

Investment in Preference Shares. Preference Shares are a first loss, leveraged credit position. An investor is exposed to a portfolio of diversified credits, but only a portion of those credits need to default for an investor in Preference Shares to lose 100% of its original investment. An investor's loss is limited to its original investment. Investors in the Notes effectively loan money to Preference Share investors. Criteria governing a CDO will divert cashflow from Preference Shares to pay down debt in the event that certain over-collateralization and interest coverage tests are triggered. Collateral deterioration causes for these ratios to be triggered. This may cut off of equity cashflow to preference share investors and cause potential "phantom" income tax issues. Because of the leverage, spread movement in the underlying collateral portfolio will have exaggerated mark-to-market effect on Preference Share investors. Preference Shares represent a purchase of a stream of cashflows that include amortization of principal prior to the stated maturity of the CDO notes. Preference 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.

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 will be entitled to determine the remedies to be exercised under the indenture. It is anticipated that the failure on any payment date to make payment in respect of interest on the Class D, E or Class F 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 Preference Shares, second, by the holders of the Class F Notes, third by the holders of the Class E Notes, fourth by the holders of the Class D Notes, fifth by the holders of the Class C Notes, sixth by the holders of the Class B Notes, and seventh, by the holders of the Class A Notes.

In addition to the Risk Factors set forth herein, investors should review carefully the complete presentation of Risk Factors in the Offering Circular to be provided.



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Risk Factors

Ongoing Commitments – the Class A-1 Notes. The Class A-1 Notes are not expected to 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 Preference 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 [90]% 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 as of that date. 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).

Collateral Consisting of CDO Securities. The assets held by Libertas which back the Offered Securities will consist primarily of [Baa] (i) Asset Backed Securities, including RMBS and (ii) ABS CDO Securities, or Synthetic Securities related to any of the foregoing. It is anticipated that up to [10]% of the assets held by Libertas may consist of such CDO Securities or Synthetic Securities related thereto; provided that the securities issued by any one CDO may not exceed [1.0]% of the 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 CDO Securities will increase to the extent securities issued by those CDOs are also included in the assets of the portfolio.

Synthetic Securities. A portion of the Collateral Debt Securities may consist of Synthetic Securities the reference obligations of which are Asset-Backed Securities, RMBS, CMBS, CDO Securities or a specified pool of financial assets (including credit default swaps), either static or revolving, that by their terms convert into cash within a finite period of time. Synthetic Securities may consist of credit default swaps, total return swaps, and credit linked notes or a combination of the foregoing. Investments in such types of assets through the purchase of (or entry into) Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Debt Securities. Each Synthetic Security which is funded at the time it is entered into by the Issuer ("Defeased Synthetic Securities") will require the Issuer to purchase collateral ("Synthetic Security Collateral") to secure its obligations thereunder, which will expose the Issuer to the risk of loss on the Synthetic Security Collateral. With respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the reference obligor(s) on the reference obligation(s). The Issuer generally will have no right directly to enforce compliance by the reference obligor(s) with the terms of either the reference obligation(s) or any rights of set off against the reference obligor(s), nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the reference obligation(s). The Issuer will not directly benefit from any collateral supporting the reference obligation(s) and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation(s). In addition, in the event of the insolvency of the counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the reference obligation(s). Consequently, the Issuer will be subject to the credit risk of the Synthetic Security Counterparty as well as that of the reference obligor(s). As a result, concentrations of Synthetic Securities entered into with any one Synthetic Security Counterparty will subject the Offered Securities to an additional degree of risk with respect to defaults by such Synthetic Security Counterparty as well as by the reference obligor(s). One or more affiliates of Merrill Lynch is expected to act as counterparty with respect to all or a portion of the Synthetic Securities purchased by the Issuer, which relationship may create certain conflicts of interest. Furthermore, such affiliates may, in their role as Synthetic Security Counterparty to all or a portion of the Synthetic Securities, make determinations regarding reference obligations and approve or designate the Synthetic Security Collateral to be purchased by the Issuer.

In addition to the Risk Factors set forth herein, investors should review carefully the complete presentation of Risk Factors in the Offering Circular to be provided.



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Risk Factors

Average Life of the Notes. The average life of each class of Notes 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.

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

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, 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.

Early Redemption of the Notes. The Notes may be subject to early redemption [3] years after the closing date at the election of a majority in interest of the holders of the Preference 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 accordance with the Priority of Payments. In such a case, 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 2012] 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 an securities that may be *pari passu*, senior or junior in ranking to an investment in securities of the same Issuer that are held by the Issuer or in which partners, security holders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer. In such instances, the Collateral Manager and its affiliates may in their discretion, subject to certain restrictions, make investment recommendations and decisions that may be the same as or different from those made with respect to the Issuer's investments.

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.

In addition to the Risk Factors set forth herein, investors should review carefully the complete presentation of Risk Factors in the Offering Circular to be provided.



CONFIDENTIAL

Risk Factors

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 debt 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 Preference Shares). The Collateral Manager is not expected to purchase Preference Shares.

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.

Conflicts relating to 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 a portfolio of securities held by an affiliate of Merrill Lynch pursuant to a warehousing agreement between such affiliate of Merrill Lynch and the Collateral Manager. The Issuer will purchase securities included in such warehouse portfolio 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 agreement, 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 agreement as if it had acquired such securities directly.

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, upfront fees to the Collateral Manager, 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.

In addition to the Risk Factors set forth herein, investors should review carefully the complete presentation of Risk Factors in the Offering Circular to be provided.



CONFIDENTIAL

Risk Factors

Redemption and Diversion of Interest Proceeds. The Securities will be subject to redemption under certain circumstances described in the Offering Circular (including, under certain circumstances, upon the failure of certain financial coverage tests to be satisfied). Any such redemption may cause the economic return from an investment in the Securities to vary from the economic returns that may be modeled in this Material. 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.

Application of Principal Proceeds. Subject to the reinvestment criteria and the priority of payments described in the Offering Circular, principal proceeds and sale proceeds from the assets are expected to be reinvested into additional assets by the Collateral Manager during the reinvestment period and afterwards will be used to pay principal on the Notes. 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 Co-Issuers cannot predict the actual rate of principal payments that will be experienced on the Collateral Debt Securities.

Relation to Prior Investment Results. Any prior investment results of any person or entity described herein will not be indicative of the 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 Issuer. The nature of, and risks associated with, the 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 Issuer's investments will perform as well as, or in a manner similar to, the past investments of any such persons or entities.

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

Certain hypothetical performance analyses are based on assumptions that may prove to be incorrect. Prospective investors should understand those assumptions and evaluate whether they are appropriate for their purposes. Certain analyses are based on mathematical models that use hypothetical inputs to calculate results. As with all models, results may vary significantly depending upon the values of the inputs used. Models used in any analysis may be proprietary, making the results difficult for any third party to reproduce. Moreover, hypothetical performance analyses will address only certain aspects of the characteristics of the 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.

In addition, if the 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, then, the Class E Notes, then, the Class F Notes, in each case to the extent necessary to obtain such rating confirmation from each of the rating agencies. (Continued)

In addition to the Risk Factors set forth herein, investors should review carefully the complete presentation of Risk Factors in the Offering Circular to be provided.



CONFIDENTIAL

Risk Factors

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, and the Preference Shares, 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 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 one-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 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.

Reinvestment Risk. There can be no assurance that in the event that loans included in the collateral are prepaid, spreads prevailing at such time will be at the same levels as they were on the closing date with respect to the Offered Securities. To the extent the proceeds of such prepayments are reinvested into lower spread assets, the interest available to pay amounts due on the Offered Securities may be reduced.

Credit Ratings. Credit ratings of debt securities (including any securities issued by the Issuer or any collateral debt security comprising the investment portfolio of the Issuer) represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, and therefore, credit ratings do not fully reflect all risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, and the credit quality of a debt security may be worse than a rating indicates.

Taxation. Taxation of the Offered Securities is complex. Clients should consult their tax advisors. See "Tax Considerations."

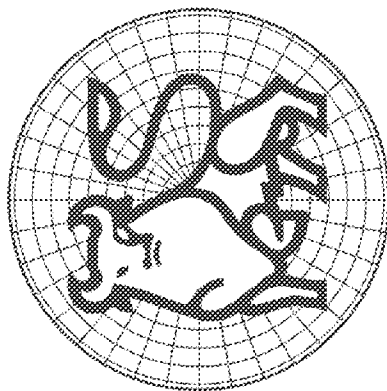
Tax Treatment of Notes. Noteholders will be required to treat the Notes as debt for U.S. Federal income tax purposes. It is possible that the treatment of the Class D, Class E and Class F Notes as debt of the Issuer could be challenged by the U.S. Internal Revenue Service. If such a challenge were successful, the Class D, Class E and Class F Notes would be treated as equity securities of the Issuer, and the U.S. Federal income tax consequences of investing in the Class D, Class E and Class F Notes would be similar to the consequences of investing in the Preferred Shares without electing to treat the Issuer as a qualified electing fund. See "Tax Considerations."

U.S. Taxes on the Issuer. The Issuer expects to conduct its affairs so that its income generally will not be subject to tax on a net income basis in the United States or any other jurisdiction. The Issuer also expects that payments received under the Collateral Debt Securities generally will not be subject to withholding tax imposed by the United States or other countries that may be treated as the source of the payments. The Issuer's income might become subject to net income or withholding taxes in the United States or other jurisdictions, however, due to unanticipated circumstances, change in law, contrary positions of relevant tax authorities or other causes. The imposition of unanticipated net income or withholding taxes on the Issuer could materially impair the Issuer's ability to make payments on the offered Securities.

In addition to the Risk Factors set forth herein, investors should review carefully the complete presentation of Risk Factors in the Offering Circular to be provided.

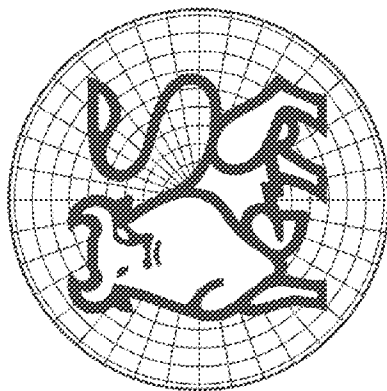


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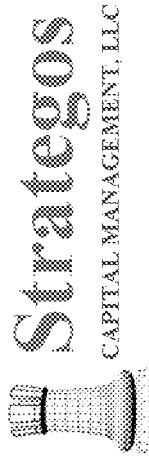


5. About the Collateral Manager ⁽¹⁾

⁽¹⁾ All information in this Section 5 has been supplied by Strategos Capital Management, LLC. Except where otherwise indicated, information is as of February 2006.



A. Introduction to Strategos CDO Management



Introduction to Strategos CDO Management Strategos Overview

Summary

- **Strategos Capital Management, LLC**, a Delaware limited liability company 100% owned by Cohen Brothers, LLC ("Cohen" or "Cohen Bros.") and its principals, will serve as Collateral Manager for Libertas Preferred Funding I
- Established as the cornerstone of Cohen's ABS and MBS business
- Cohen Bros. 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 70 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
- Cohen Bros. was the #1 ranked CDO asset manager from 2004-2005 with over \$9.9bn in transactions originated⁽¹⁾
- Strategos currently has \$2bn in ABS CDOs under management and has been the advisor on approximately \$4.8bn of whole loan mortgage acquisitions and securitizations⁽²⁾



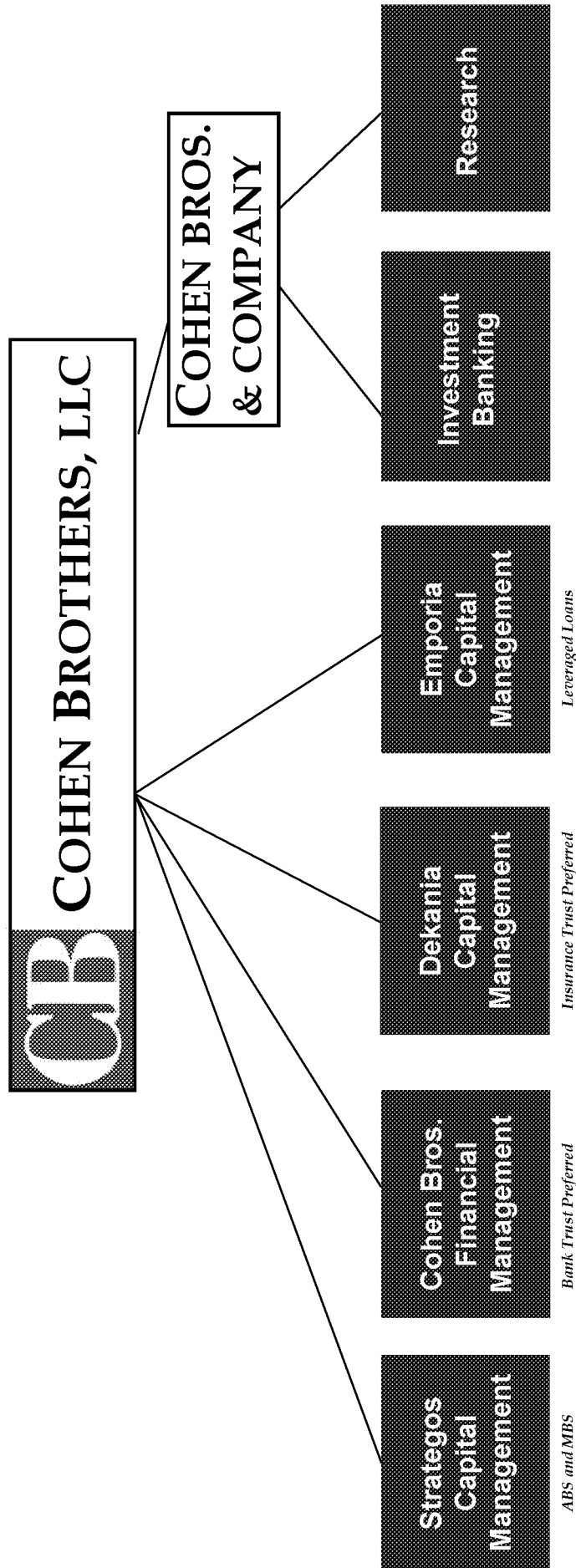
(1) Asset-Backed Alert (December 30, 2005) www.ABAlert.com

(2) Cohen Bros. & Company currently has a servicing agreement with Taberna Realty Finance Trust

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Introduction to Strategos CDO Management Organizational Structure

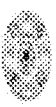
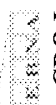
Cohen Bros. is a focused and disciplined manager specializing in the bank, thrift, insurance, real estate and specialty finance sectors



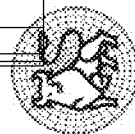
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Cohen Bros. Financial, LLC Credentials Cohen Bros. & Company Recent Transaction History

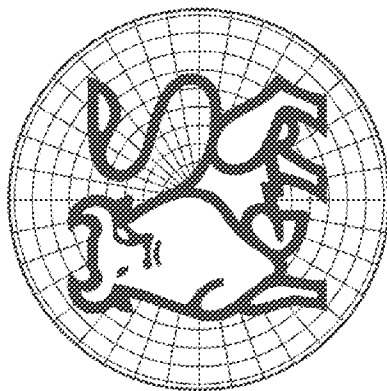
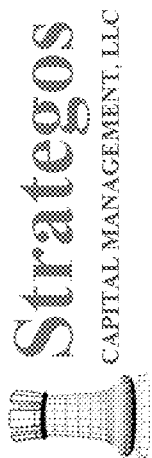
Cohen Bros. has emerged as a leader in the CDO market. Since 2004 Cohen Bros. and its affiliates has been named the collateral manager to 20 CDOs.

 Alesco CDO I \$344 MM Trust Preferred Securities October 2003 Collateral Manager	 Alesco CDO II \$348 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 \$692 MM Trust Preferred Securities December 2004 Collateral Manager	 Alesco CDO VII \$690 MM Trust Preferred Securities April 2005 Collateral Manager	 Alesco CDO VIII \$684 MM Trust Preferred Securities August 2005 Collateral Manager	 Alesco CDO IX \$683 MM Trust Preferred Securities December 2005 Collateral Manager	 Alesco CDO X \$969.5 MM Trust Preferred Securities December 2005 Collateral Manager
 Dekania CDO I \$307 MM Trust Preferred Securities September 2003 Collateral Manager	 Dekania CDO II \$413 MM Trust Preferred Securities April 2004 Collateral Manager	 Dekania Europe CDO I €305.4 MM Trust Preferred Securities September 2005 Collateral Manager	Emporia CDO I \$425 MM Leveraged Loan October 2005 Collateral Manager	 Kleros CDO I \$1,007 MM High Grade ABS June 2005 Collateral Manager
 Kleros CDO II \$1,000.65 MM High Grade ABS January 2006 Collateral Manager	 Taberna CDO I ⁽¹⁾ \$729 MM Trust Preferred Securities March 2005 Collateral Manager	 Taberna CDO II ⁽¹⁾ \$1044 MM Trust Preferred Securities June 2005 Collateral Manager	 Taberna CDO III ⁽¹⁾ \$780 MM Trust Preferred Securities September 2005 Collateral Manager	 Taberna CDO IV ⁽¹⁾ \$650 MM Trust Preferred Securities December 2005 Collateral Manager

⁽¹⁾ These CDOs are managed by Taberna Capital Management, LLC. Taberna Capital Management, LLC is not a majority owned affiliate of Cohen Brothers, LLC.

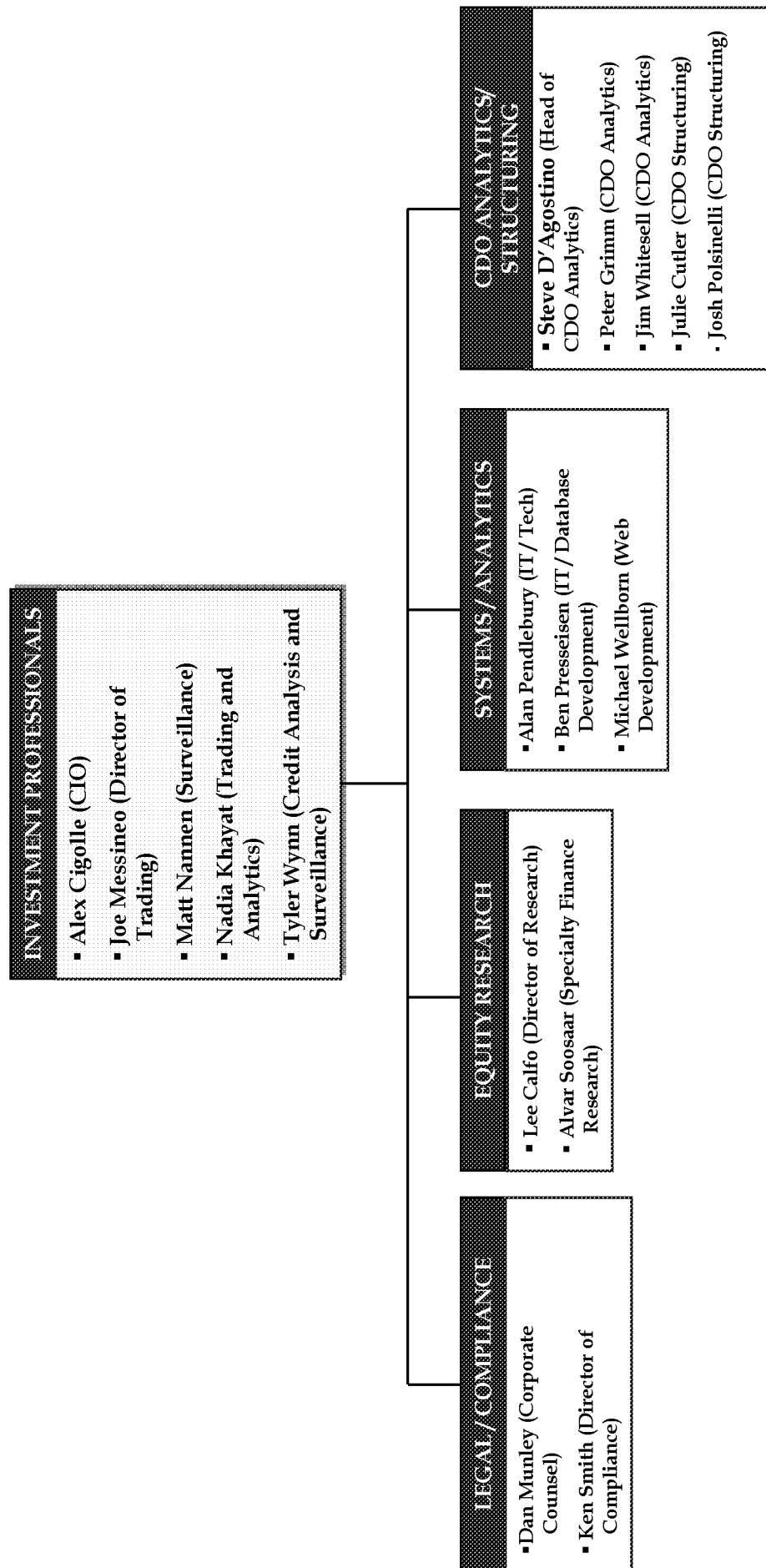


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B. Strategos Capital Management, LLC

ABS Organizational Structure⁽¹⁾



(1) As of February, 2006. There is no guarantee that specific individuals or employees will continue to be employed by Strategos Capital Management, LLC; Cohen Bros., LLC or Taberna Realty Finance Trust

Strategos Capital Management, LLC

Assets Under Management – Kleros⁽¹⁾⁽²⁾

Kleros Preferred Funding

US High Grade ABS CDO Cash Flow Transaction

Total Size – U.S.\$1,007 million

Closing: June 2005

	As of 1/31/06	Constraint	Number of Times Failed / Total Distribution Dates ⁽³⁾
Class A/B Overcollateralization Test	103.1%	101.7%	0/2
Class C/D Overcollateralization Test	100.9%	100.3%	0/2
Class A/B Interest Coverage Test	104.4%	102.0%	0/2
Class C/D Interest Coverage Test	101.3%	100.0%	0/2

(1) 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. Past performance is not an indication or a guarantee for future results. See "Important Notice".

(2) For sample definitions of Overcollateralization ("OC") and Interest Coverage ("IC") Ratios, see Appendix B. Definitions vary from transaction to transaction. For the definition in any given transaction, see the relevant documents for that transaction.

(3) A failure represents a Distribution Date on which said test level was not met.



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Strategos Capital Management, LLC

Assets Under Management – Kleros⁽¹⁾⁽²⁾

Kleros Preferred Funding II

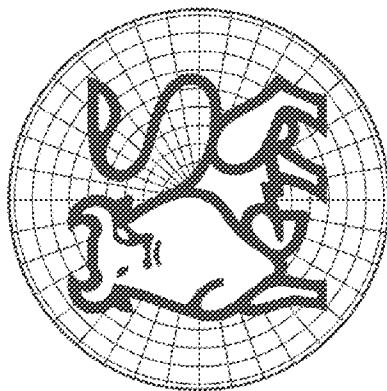
US High Grade ABS CDO Cash Flow Transaction
 Total Size – U.S.\$1,000.65 million
 Closing: January 2006
 Fully ramped at Closing

	As of 1/31/06	Constraint	Number of Times Failed / Total Distribution Dates ⁽³⁾
Class A/B/C Overcollateralization Test	102.9%	101.6%	0/0
Class D Overcollateralization Test	101.9%	100.7%	0/0
Class E Overcollateralization Test	100.7%	100.3%	0/0
Sequential Pay Ratio	107.5%	105.8%	0/0

- (1) 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. Past performance is not an indication or a guarantee for future results.
- (2) For sample definitions of Overcollateralization ("OC") and Interest Coverage ("IC") Ratios, see Appendix B. Definitions vary from transaction to transaction. For the definition in any given transaction, see the relevant documents for that transaction.
- (3) A failure represents a Distribution Dates on which said test level was not met.



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C. Investment Process

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



CONFIDENTIAL

Investment Process Strategos Management Investment Process

- | | |
|---|---|
| <p>TRADING</p> | <ul style="list-style-type: none"> ■ Extensive Street Relationships ■ ABS and CDO Product Sales Coverage ■ Interaction with Traders, Structurers, and Syndicate Personnel ■ New Issue and Secondary Activity ■ Reverse Inquiry |
| <p>↔</p> | |
| <p>RESEARCH ANALYSIS</p> | <ul style="list-style-type: none"> ■ Issuer/Servicer/Manager Analysis ■ Collateral Analysis ■ Structural Analysis |
| <p>↔</p> | |
| <p>PORTFOLIO MANAGEMENT</p> | <ul style="list-style-type: none"> ■ Relative Value ■ Portfolio Constraints ■ Concentrations/Diversification ■ Investment Committee/Macro View |
| <p>↔</p> | |
| <p>SURVEILLANCE/
RISK MANAGEMENT</p> | <ul style="list-style-type: none"> ■ Monthly Review ■ Trustee/Remittance Reports ■ Cash Flow Analytics/Stresses ■ Pricing ■ Watchlist |
| <p>↔</p> | |



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Investment Process

Strategos Management Investment Process

TRADING

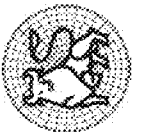
RESEARCH ANALYSIS

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 cash and synthetic ABS and CDO product areas
- Strategos seeks direct contact with traders, structurers, syndicate members, and research analysts
- Secondary trading forms a significant part of our activity
- Synthetic trades via the CDS market provide opportunities often unavailable through the cash market
- Strategos also sources product through regional bank relationships and direct reverse inquiry with issuers
- Existing holdings regularly evaluated vs. current market opportunities



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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 of Issuer, if any
 - Profitability
 - Liquidity
 - Capitalization
 - Cash Flow
- Management Experience, Integrity, and Staff Experience
- On-Site Due Diligence Visitations
- Business Strategy including Compensation Arrangements
- Underwriting Experience
- Historical Performance
- Servicer Quality
- Loss Mitigation Capabilities



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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, CLTV, Lien Status and Silent Seconds
 - Loan Purpose
 - Documentation – Full vs. Stated vs. No Doc
 - DTI Ratios
 - Sources of Collateral: Wholesale/Retail
 - Property Type
 - Spread at Origination
 - Age, Term
 - Loan Size
 - Fixed/Floating Mix
 - IO Loan Concentration / IO Term
- Initial Rate Cap, Life Cap
- Occupancy Status
- Mortgage Insurance
- Geographic Distribution
 - Home Price Appreciation by Region
 - Employment Statistics by Region
 - Disaster Exposure



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Investment Process

Strategos Management Investment Process

TRADING

RESEARCH
ANALYSIS

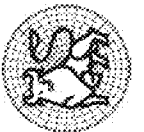
PORTFOLIO
MANAGEMENT

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 (Loan Level and pool)
- 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

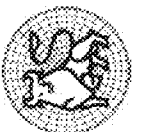
RESEARCH ANALYSIS

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 – Cash vs. Synthetic vs. ABX
- CDO Limitations
 - Overcollateralization
 - Rating Factors
 - Correlation Tests
 - Average Life
 - Concentration Limits
- Economic Diversification/ Assess Correlated Exposures
- Macro Viewpoints from Investment Committee
- Daily discussion of market trends including all relevant ABS and real estate credit news



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Investment Process

Strategos Management Investment Process

TRADING

RESEARCH ANALYSIS

PORTFOLIO MANAGEMENT

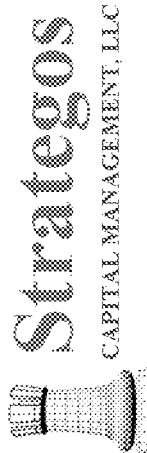
SURVEILLANCE

SURVEILLANCE/RISK MANAGEMENT

- Sources of Ongoing Information
 - Remittance Reports from ABSnet, Trustees
 - Servicers
 - Data Vendors including Intex, Bloomberg, Realpoint, Lewtan Technologies
 - Dealers
 - Rating Agencies
- Monitoring Process including Extensive Database Maintenance
 - Daily Review of Market Conditions and Credit Risk Securities
 - Monthly Review of Collateral Statistics and Performance
 - Investment Committee
 - Watchlist
- Analytics
 - Intex
 - Realpoint
 - Bloomberg
 - Bond Studio
 - ABS-MBS Pricing
 - Interactive Data Corp (IDC)
 - Dealers
 - CDO Pricing
 - Underlying Asset Mark-to-Market
 - Class by Class Market Value Coverage
 - Dealer Pricing at Tranche Level



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Competitive Advantages Strategos Capital Management

Strategos leverages the mortgage related activities of other Cohen Bros. and Taberna Business Lines⁽¹⁾

FINANCING OF ORIGINATORS

Activity:

- Cohen Bros. and Taberna are leading managers in the Bank Trust Preferred and REIT Trust Preferred markets, respectively
- \$1.1bn in Trust Preferred Funding provided to mortgage, ABS and CMBS originators

Benefit:

- Increased access to senior management of originators
- Additional view from Trust Preferred credit analysts

BANK AND FINANCE EQUITY RESEARCH

Activity:

- Cohen Bros. publishes equity research on 80 companies

Benefit:

- Access to research dedicated to banks and finance companies that often include substantial ABS / MBS originators
- Additional fundamental perspective on these companies

WHOLE LOAN TRANSACTIONS

Activity:

- Advised \$4.8bn mortgage whole loan acquisitions and securitizations

Benefit:

- Greater access to dealer whole loan desks and structuring process
- In depth on-site exposure to originator and servicer operations
- Increased leverage for dealer relationships

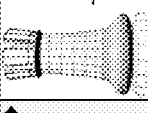


(1) Information accurate as of February 2006

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Database Features ABS Credit Report

Strategos maintains an extensive database which includes over 1500 transactions



Strategos
CAPITAL MANAGEMENT, LLC

ABS Credit Report

ACCREDITED									
ACCR 05-3 M7 Mid-Prime									
Ticker:	ACCR 05-3	Class:	M7	Type:	ABS	Fixed/Floating	Floating		
Originator:	Accredited	Purchase City (MM):	2,000	WAL:	4.68	Initial Support:	5.00		
Issuer:	Accredited	Purchase Price:	100,000	Moody's:	Baa1	Step Down Level:	10.00		
Service:	Accredited	Swap Spread/Dm:	112	SP:	A-	Trade Date:	8/11/2005		
Broker:	Morgan Stanley	Fixed/Floating Cdn/Std:	1mL + 112	Fitch:	NR	Settlement Date:	8/25/2005		
FINANCIAL RATIOS									
Collateral:		Fixed:	26.90	FICO:	635	CA:	20.26		
		Balloon:	1.78	LTV:	77.84	Mtge Insurance:	0.00		
		1/28:	0.00	IO:	16.97	Full Doc:	63.31		
		2/28:	68.45	2nd Lien %:	0.54	% of Loans under \$100K:	11.29		
Prepayment Penalty:		0 mo:	16.99	12 mo:	8.02	30 mo:	0.85	60 mo:	17.21
		6 mo:	3.22	24 mo:	38.28	36 mo:	14.39		
Servicer Rating:		Accredited	Moody's Servicer Rating:		SO2	Moody's assigns ratings from SO1 (Strong) to SO5 (Weak)			
			SP Servicer Rating:		N/A	SP rates servicers as Strong, Above Average, Average, Below Average, Weak			
			Fitch Servicer Rating:		RPS3	Fitch rates from RPS1 (Strong) to RPS5 (Weak) with +/-			
STRESS ASSUMPTIONS									
Stress Assumption:		1st dollar loss break-even assuming 40% loss severity, 12 month lag, pricing speed and triggers failing.							
Results:		Static LIBOR:		11.3 CDR					
		Forward LIBOR:		9.0 CDR					

Record: **K** of **1** of 1 (Filtered)

Form View

- Storage of all major deal documents
- Direct link to purchase reports, structure summary, risk and stress analysis
- Access to deal term sheets, collateral strats

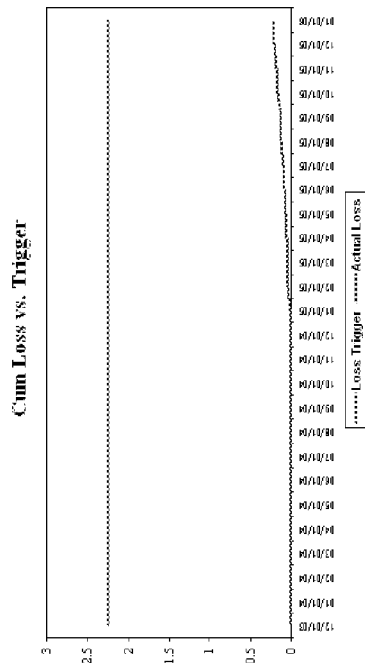
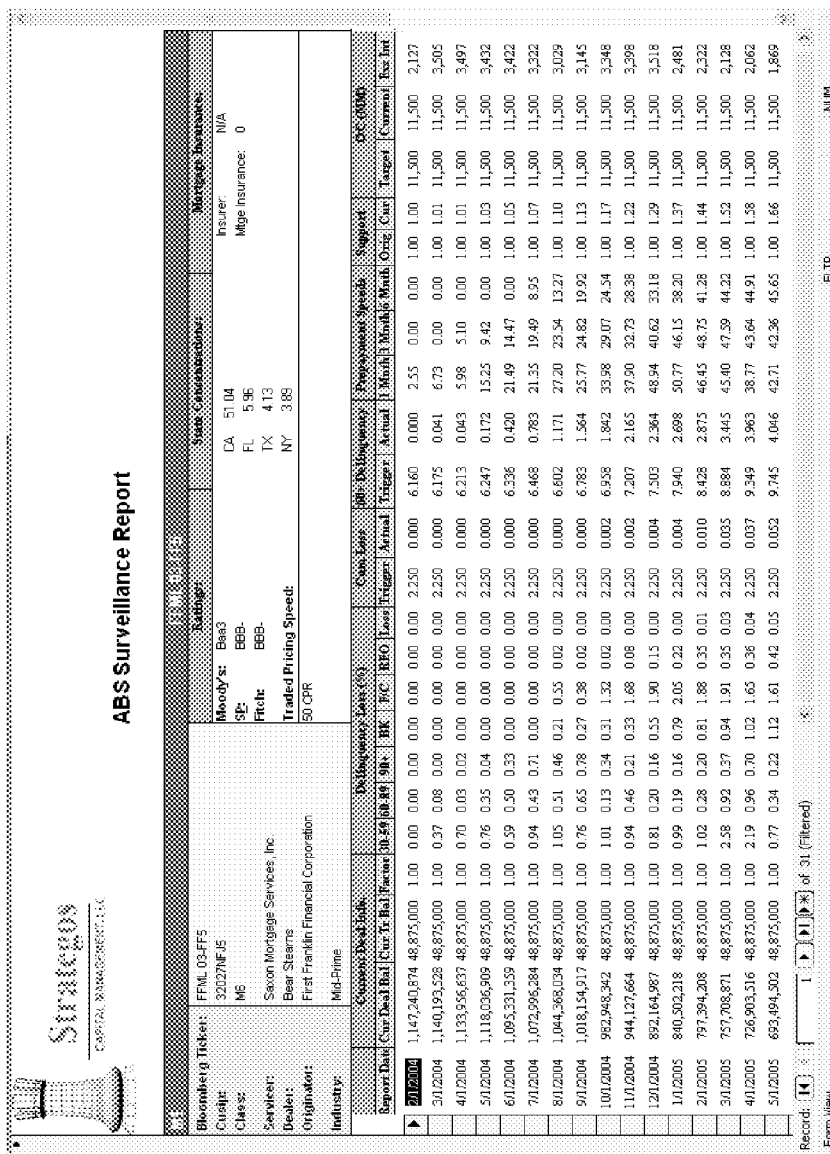


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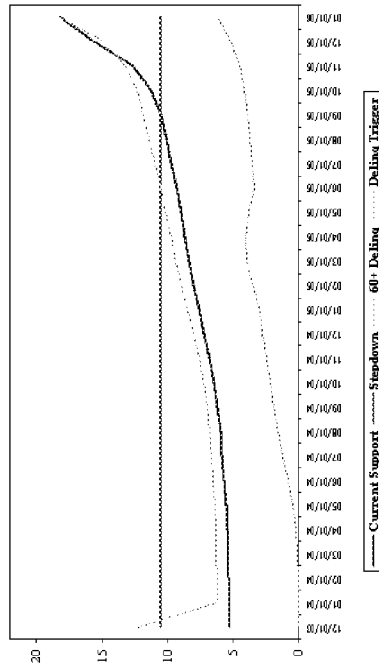
Database Features

Surveillance Report and Performance Charts

Strategos database generates monthly surveillance reports and performance charts



60+ Delinquent vs. Trigger & Current Enhancement vs. Stepdown



- Cum loss and delinquency triggers
- Current and target credit enhancement

Cohen Bros. Equity Research Mortgage Originator Research Reports



Company Note

Alvar Soosnar
(215) 861-7639
a.sosnar@cohenbros.com

Accredited Home Lenders Inc.
(LEND: BUY)

February 15, 2006

Key Investment Points:

- Accredited Home Lenders reported EPS of \$1.96 for 4Q05 and \$7.07 for 2005, an increase with estimates and three cents above consensus.
- LEND continued cutting its cost to originate down to an industry-low 1.35% for the quarter.
- Although margins improved somewhat late in the quarter, they were still down both for the quarter and for the year.
- Management reiterated guidance for 2006 annual earnings in a range of \$7.70 to \$8.00 per share, with the variability based almost entirely on the direction of change in whole loan margin.
- LEND will maintain its current operating model, and expects little change in terms of percentages of revenues coming from whole loan sales versus interest from the portfolio.
- We are maintaining our EPS estimate for 2006 at \$7.75 and establishing a 2007 estimate of \$8.40.
- We are increasing our price target to \$58 based on a multiple of 7.5x our 2006 EPS estimate, therefore increasing our investment rating to BUY from HOLD.

Risks that the stock does not reach our price target include deterioration in the economy affecting real estate values, a higher level of competition for deposits and loans, changes in consumer and small business spending, and the ability to maintain credit standards.

Company Profile

Accredited Home Lenders, Inc. is a nationwide mortgage banking company that originates, finances, securitizes, acquires and sells non-government mortgage loans secured by residential real estate. At December 31, 2005, the company had \$9.8 billion in assets.

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Additional information available upon request. This report has been prepared from original sources and data that we believe to be reliable but we make no representation as to its accuracy or completeness. This report is published solely for informational purposes and is not to be construed as an offer to sell or the acquisition of an offer to buy any security. A copy of this report may be requested without charge from Cohen Bros. & Company, Inc.



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Earnings Update

Alvar Soosnar
(215) 861-7639
a.sosnar@cohenbros.com

Luminent Mortgage Capital, Inc.
(LUM: HOLD)

February 10, 2006

Key Investment Points:

- Luminent Mortgage Capital reported losses for 4Q05 and 2005 of \$2.79 and \$2.13 per share, respectively. The 4Q05 figure was \$0.70 worse than our estimate of a loss of \$2.09 per share, but a significant loss was expected given the company's early January announcement of a \$112 million write-down of its agency MBS portfolio. Excluding the write-down LUM still lost about \$0.69 in 4Q05.
- In the face of a net interest spread of only seven basis points, Luminent management continues to move the company to a more credit-sensitive strategy. To this end, the company completed its second securitization of whole loans in late January, somewhat ahead of its announced quarterly pace of approximately \$500 million going forward.
- LUM has repurchased 1.5 million shares of common stock since November at an average cost of \$8.91, and the board authorized an additional 3 million shares, leaving 2.5 million to be purchased.
- We are reiterating our price target of \$7.50 and our rating of HOLD.

Risks that the stock does not reach our price target include a continued flattening or inversion of the yield curve, deterioration in the economy affecting real estate values, a higher level of competition for deposits and loans, changes in consumer and small business spending, and the ability to maintain credit standards.

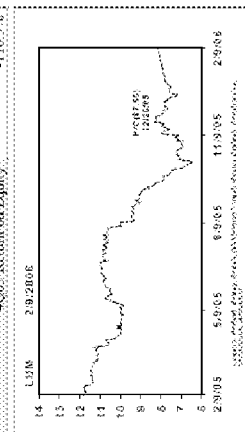
Company Profile

Luminent Mortgage Capital, Inc. is a San Francisco, CA-based originator, investor, and servicer of mortgage-backed securities. The company has a portfolio of \$1.5 billion in assets.

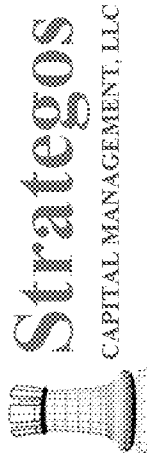
For Complete Cohen Bros. & Company Disclosures Please See Back Page

Additional information available upon request. This report has been prepared from original sources and data that we believe to be reliable but we make no representation as to its accuracy or completeness. This report is published solely for informational purposes and is not to be construed as an offer to sell or the acquisition of an offer to buy any security. A copy of this report may be requested without charge from Cohen Bros. & Company, Inc.

Mortgage & Thrift Sector Outlook		Company Data	
Investment Rating	Value	Price to	Caution
Long-Term Company Outlook			
12-month Price Target			
12-month Dividend Yield			
Current Price			
Actual FY 2005 EPS	(\$2.13)		
Last 12-month EPS	NM		
Est. FY 2006 EPS	\$0.38		
Est. FY 2007 EPS	\$1.01		
Trailing Book Value	\$0.76		
1Q (Mar) EPS	\$0.51		
2Q (Jun) EPS	\$0.16		
3Q (Sep) EPS	\$0.13		
4Q (Dec) EPS	(\$2.79)		
Dividend Yield (3Q05 annualized)	1.35%		
Market Capitalization (midsize)	\$398.5		
Average Daily Volume (3-month)	411,730		
Institutional Ownership	61.7%		
4Q05 Return on Assets	-9.18%		
4Q05 Return on Equity	-110.9%		



Source: Cohen Bros. & Company, Inc.



Investor Web Site

www.cohen-bros.com/investorReporting.asp

Cohen has a comprehensive website that allows investors immediate an up-to-date access to:

1. Manager Analysis
2. Trustee Reports
3. Mark-to-Market on Assets
4. Special Notices and Amendments

Strategos
CAPITAL MANAGEMENT, LLC

Kleros Preferred Funding I

Kleros Preferred Funding, LTD. was formed on June 3, 2005 as a \$1 Billion High Grade ABS CDO managed by Strategos Capital Management, LLC, an indirectly owned subsidiary of Cohen Bros Financial, LLC. The portfolio consists of (AAA), (AA), and (A) rated ABS, RMBS and CDO securities.

RESEARCH DISCLOSURES



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Press Release⁽¹⁾ Cohen Bros. & Company as a CDO Manager

Asset-Backed ALERT

THE WEEKLY UPDATE ON
WORLDWIDE SECURITIZATION

www.ABAlert.com

- CDO types include
ABS, Bank TruPS,
Insurance TruPS,
REIT TruPS, and
CLOs

Top 10 CDO Asset Managers, 2004-2005

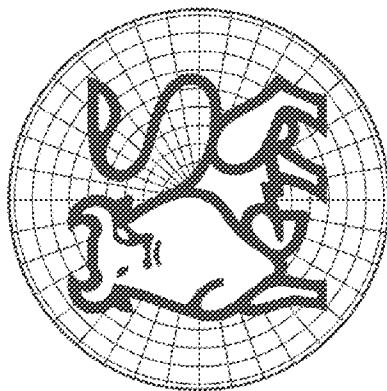
	Amount (\$MM)	No. of Deals
1 Cohen Brothers	\$9,920.3	16
2 TCW Asset Management	9,369.4	27
3 HypoVereinsbank	9,145.8	3
4 Barclays Capital	8,794.5	4
5 Duke Funding Management	8,185.0	6
6 Bear Stearns	7,032.0	16
7 Fortress Investments	6,943.6	13
8 Vanderbilt Capital Advisors	6,485.7	7
9 Kreditanstalt für Wiederaufbau	6,256.7	3
10 Merrill Lynch	5,912.0	8

ASSET-BACKED ALERT: December 30, 2005, 5 Marine View Plaza, Suite 301, Hoboken NJ 07030, 201-659-1700



(1) Source, Asset-Backed Alert

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D. Biographical Information (*)

(*) There can be no assurance that the professionals currently employed by Strategos will continue to be employed by Strategos or that the past performance or success of any such professional serves an indicator of such professional's future performance or success.

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 served as Chairman and President of Cohen Bros. and in 2006 became the chairman of Cohen Bros. From 2001 to 2006, Mr. Cohen served as Chief Executive Officer of Cohen Bros. Mr. Cohen is Chairman and CEO of Taberna Realty Finance Trust, a REIT formed in 2005 and Chairman of Emporia Capital Management. Since 2000, Mr. Cohen has served on the Board of Directors of TRM Corporation (Nasdaq: TRM), and as its chairman since 2003. From 1995 to 2000, Mr. Cohen served as an officer of Resource America (NASDAQ "REXI"), serving as its 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.

Christopher Ricciardi

Mr. Ricciardi is Chief Executive Officer of Cohen Bros. Previously, Mr. Ricciardi was a Managing Director and the Global Head of Structured Credit Products for Merrill Lynch, Pierce, Fenner & Smith Incorporated responsible for the origination, structuring, and marketing of all Collateralized Debt Obligations, Structured Funds and Exotic Credit Derivatives. Prior to joining Merrill Lynch, Pierce, Fenner & Smith Incorporated in April 2003, Mr. Ricciardi was a Managing Director and the Head of U.S. Structured Credit Products at Credit Suisse First Boston. Mr. Ricciardi began his career at Prudential Securities as a trader of mortgage and asset backed securities. Mr. Ricciardi earned a B.A. from the University of Richmond and an MBA from the Wharton School at the University of Pennsylvania. Mr. Ricciardi is also a CFA charterholder.

James J. McEntee, III

Mr. McEntee is the Chief Operating Officer of Cohen Bros., a position which he has held since 2003. He also serves as a director of The Bancorp, Inc. a bank holding company. Prior to joining Cohen Bros., Mr. McEntee was the co-founder and co-managing partner of Harron Capital, LP, a \$100 million private equity fund, from 1999 to 2002. Mr. McEntee held various positions as a lawyer in private practice with the law firm of Lamb, Windle & McErlane, P.C. from 1990 to 2003, including as a partner and chairman of the firm's Business Department.

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 serves 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 Co-Head of Fixed Income at Cohen Bros. & Company. Mr. Messineo assists in the origination of primary and secondary collateral and in the execution of the Alesco transactions. Mr. Messineo previously worked for UBS from March 2000 to June 2002. Mr. Messineo is a graduate of Drexel University.

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 also heads up Strategos' due diligence efforts when purchasing whole loan packages. 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 trading and analytics at Strategos Capital Management, LLC. Prior to working with Strategos, she worked for Cohen Bros. & Company as a trader. Ms. Khayat holds an undergraduate degree in Management and Economics from the University of Damascus and an MBA degree in Finance and MIS from Villanova University. Before coming to the United States she worked for four years in Syria with Computec, a computer hardware distributor for the Middle East, in charge of purchasing and negotiation of their distribution and servicing contracts. Ms. Khayat is fluent in five languages.

Tyler Wynn

Mr. Wynn is responsible for credit analysis and surveillance at Strategos Capital Management, LLC. Mr. Wynn received his undergraduate degree in Economics from Bucknell University. His previous employer was Susquehanna International Group, LLP, where he worked as a Trading Assistant on the Convertible and Corporate Desk for three years.



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Biographical Information

CDO Analytics/Structuring

Steve D'Agostino, *Head of CDO Technology and Analytics*

Steven D'Agostino is a Director in charge of CDO Technology and Analytics at Cohen Bros. Mr. D'Agostino and his team are responsible for development of the firm's proprietary CDO structuring and surveillance software. Prior to joining Cohen Bros, Mr. D'Agostino served as Director in charge of CDO analytics and technology strategy for 3 years at Merrill Lynch, and at Credit Suisse First Boston prior to Merrill. Before heading analytics at CSFB, Mr. D'Agostino structured cashflow and market value CDO's, CMO's, and several mortgage repackaging trades during his eight years at that firm and two years at Chase Securities. Mr. D'Agostino holds a B.S. in Electrical Engineering from Cornell University

Peter Grimm

Peter Grimm is an Associate responsible for development of CDO Technology and Analytics at Cohen Bros. Prior to Cohen Bros., Mr. Grimm worked for Merrill Lynch, where he was instrumental in creation of the firm's industry-leading models for structuring of both cashflow and synthetic CDO's. He also has experience structuring both cash and synthetic CDO's. Mr. Grimm graduated Magna Cum Laude from Columbia University with a B.S. in Electrical Engineering.

Jim Whitesell

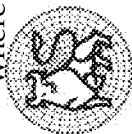
Mr. Whitesell joined Cohen Bros. & Co. in January 2006, focusing on CDO analytics and structuring. Prior to Cohen Bros. & Co., Mr. Whitesell worked as a financial engineer at Wall Street Analytics, a software firm specializing in the securitization industry. Mr. Whitesell received his B.S. in computer science from Stanford University.

Julie Cutler

Ms. Cutler joined Cohen Brothers from Merrill Lynch as a Vice President in February 2006. Prior to joining Cohen Brothers Ms. Cutler spent three years at Merrill Lynch, where she took a lead role in the structuring and marketing of numerous collateralized debt obligation transactions spanning across various sectors, including High Grade and Mezzanine ABS collateralized debt obligations and Trust Preferreds. Ms. Cutler received a B.S. in Economics with a Concentration in Finance from the Wharton School at the University of Pennsylvania in 2003.

Josh Polsinelli

Mr. Polsinelli joined Cohen Brothers in February 2006 as an Associate in the capital markets group and is responsible for the structuring of collateralized debt obligations backed by bank and insurance trust preferreds, mezzanine asset-backed securities and leveraged loans. From 2004 until joining Cohen Brothers, Mr. Polsinelli was an analyst in the global structured credit products group at Merrill Lynch where he structured a variety of cashflow and synthetic collateralized debt obligations. Mr. Polsinelli is a graduate of Colgate University where he earned a bachelor's degree in economics.

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Biographical Information Cohen Bros. Resources

Lars Norell

Mr. Norell is a Managing Director at Cohen Bros. and the head of Capital Markets. Previously, Mr. Norell served as a Managing Director at Merrill Lynch, Pierce, Fenner & Smith Incorporated where he ran the U.S. Cash Collateralized Debt Obligations product area. Prior to joining Merrill Lynch, Pierce, Fenner & Smith Incorporated in April of 2003, Mr. Norell was a Vice President in charge of Trust Preferred and Mezzanine Collateralized Debt Obligations at Credit Suisse First Boston. From August 1998 to January 2000, Mr. Norell was an attorney at Cadwalader Wickersham & Taft. Mr. Norell holds a J.D. from the University of Virginia School of Law and a B.Sc. in Business from the University of Southern Europe.

Raphael Licht

Raphael Licht is Chief Legal 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.

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

Mr. James is Co-Head of Fixed Income at Cohen Bros. & Company. Mr. James assists in the origination of primary and secondary collateral and in the execution of the Alesco transactions. Mr. James previously worked for UBS from May 1999 to June 2002. Mr. James is a member of the Association for Investment Management and Research. He is a graduate of Greensboro College.

Ed Sikorski

Mr. Sikorski is Director of Fixed Income Trading at Cohen Bros. & Company. In addition to his trading responsibilities, Mr. Sikorski assists in the origination of primary and secondary collateral and in the execution of the Alesco and Dekania transactions. Mr. Sikorski previously worked for UBS from August 2000 to June 2002. Mr. Sikorski is a member of both the Association for Investment Management and Research and the New York Society of Securities Analysts.



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Biographical Information Cohen Bros. Resources

Adam Schneider

Prior to joining Cohen Bros. & Co, Mr. Schneider worked as a consultant at Moneta Group, a St. Louis-based investment advisory firm. While at Moneta, Mr. Schneider assisted in the management of nearly \$200 million in assets. Mr. Schneider has his B.A. in economics from Washington University in St. Louis.

Dan Munley

Mr. Munley joined Cohen Bros. & Co. in January 2006. Mr. Munley serves as Corporate Counsel for Cohen Bros. & Co. Prior to joining Cohen Bros. & Co., Mr. Munley was a securities law attorney with Stark & Stark in Princeton, NJ and prior to that he was a securities law attorney at Hale and Dorr in Boston and Richards, Layton & Finger in Delaware. Mr. Munley is a member of the Delaware, Massachusetts, New Jersey and California bars.

Alvar Soosaar

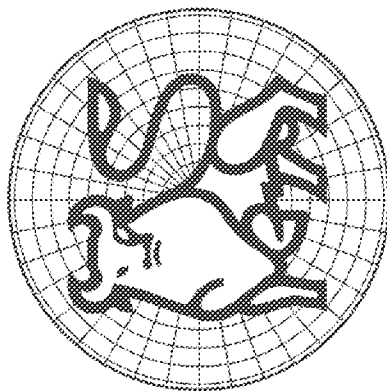
Mr. Soosaar joined Cohen Bros. & Co in April 2004 as an Equity Analyst in the Research Department. He is responsible for equity coverage of non-bank financial services companies. Mr. Soosaar comes to Cohen Bros. from Gallatin & Company, LLC, a Scarsdale, NY-based investment adviser, where he worked as 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.

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.



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6. Tax Considerations

Tax Considerations

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. THE STATEMENTS ABOUT U.S. FEDERAL TAX ISSUES ARE MADE TO SUPPORT MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID U.S. FEDERAL TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN OFFERED SECURITIES UNDER THE LAWS OF THE CAYMAN ISLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION

U.S. Federal Income Tax Considerations

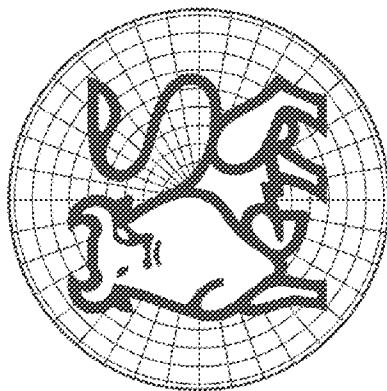
- Noteholders will be required to treat the Notes as debt for U.S. tax purposes. It is expected that the Class A Notes, the Class B Notes and the Class C Notes [will], and the Class D Notes and Class E Notes [should], be treated as debt for U.S. Federal income tax purposes.⁽¹⁾
- The Issuer will treat all interest (including interest on accrued but unpaid interest) due on the Class C Notes, Class D, Class E, Class F and Class G Notes as original issue discount ("OID") because it will not determine whether the likelihood of interest being deferred on those Notes is remote.⁽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 and availability 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 (or constructive 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). Gains on dispositions therefore do not benefit from the preferential rate on capital gains. 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 Preference Shares (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 Preference Shares unless such investor either (i) holds more than 50% of the Preference Shares and also holds Notes or (ii) holds Notes or Preference 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, expects that 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 DISCUSSION OF U.S. TAX CONSIDERATIONS IN THE OFFERING CIRCULAR TO BE PROVIDED, WHICH WILL INCLUDE MORE DETAILED INFORMATION REGARDING THE MATTERS ABOVE. NEITHER THIS OUTLINE NOR 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

(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

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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)

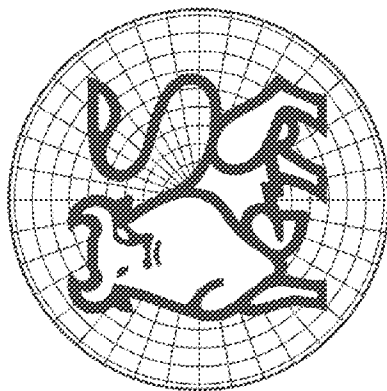
Defaults = defaults in the current period

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 [or by the Credit Default Swap Counterparty in respect of premium under the Credit Default Swap 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 [or to the Credit Default Swap Counterparty in respect of premium under the Credit Default Swap 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.
- (2) Definitions vary from transaction to transaction. For the definition in any given transaction, see the relevant documents for that transaction. 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.



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