

# Broderick CDO 2 Ltd.

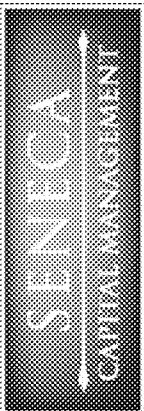
Managed by:

**Seneca Capital Management LLC**

August 2006



Global Markets & Investment Banking Group



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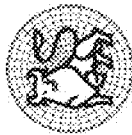
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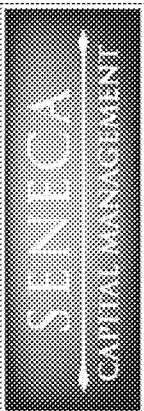
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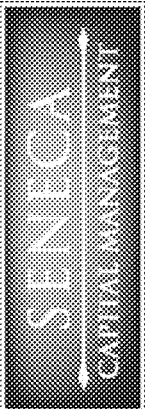
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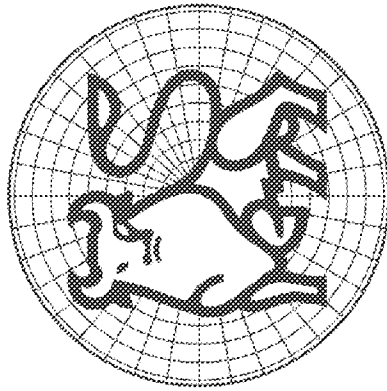
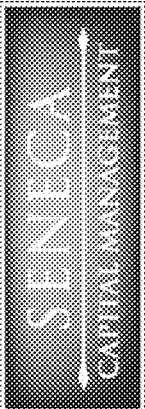


## Broderick CDO 2 Ltd.

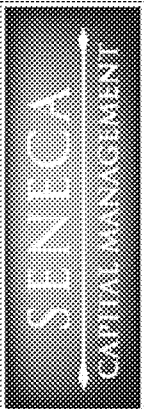
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# I. Executive Summary



## Transaction Summary

- Broderick CDO 2 Ltd. (“Broderick 2”) is a newly formed collateralized debt obligation (“CDO”) incorporated under the laws of the Cayman Islands that will be managed by Seneca Capital Management LLC (“Seneca” or the “Collateral Manager”)
- Broderick 2 plans to issue \$[1.6] billion aggregate principal amount of securities (the “Offered Securities”) backed by a portfolio of residential mortgage backed securities (“RMBS”), asset backed securities (“ABS”) and CDO securities (the “Structured Finance Securities”) and Synthetic Securities (credit default swaps, credit linked notes and total return swaps referencing such securities)<sup>(1)</sup>
- Broderick CDO 2 is expected to issue the following classes of Offered Securities:

### Assets

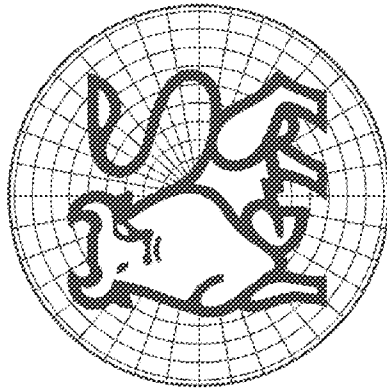
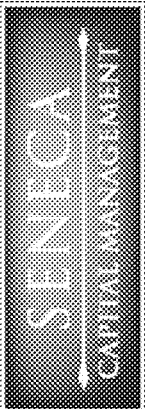
ABS, RMBS,  
CMBS, CDO Securities  
& Synthetic Securities

### Liabilities

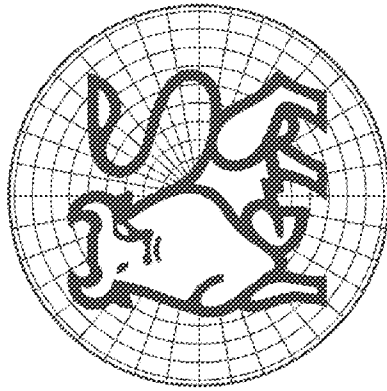
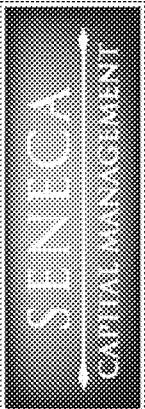
\$[1,375,000] Class A-1A [AAA/AAA+] (Maturity: 5/568P)
\$[1,375,000] Class A-1B [AAA/AAA+] (Maturity: 5/568P)
\$[1,375,000] Class A-2 [AAA/AAA+] (Maturity: 5/568P)
\$[2,500,000] Class C [A+/A+] (Maturity: 5/568P)
\$[1,000,000] Class D [A+/A+] (Maturity: 5/568P)
\$[8,000,000] Preference Shares



(1) These elements of the underlying collateral already exist as investment vehicles. They should not be confused with the Offered Securities  
 (2) 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”

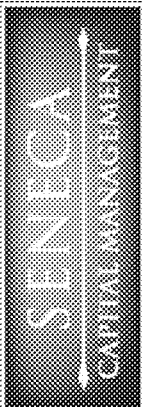


## II. Asset Class Selection



## A. Structured Finance Market Overview



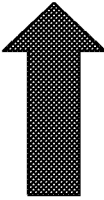


# Structured Finance Securities Market Overview

## Historical Defaults <sup>(1)(2)</sup>

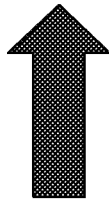
The Offered Securities will be backed by a pool of assets that consists primarily of "Aaa", "Aa", "A", and "Baa"-rated CMBS and RMBS Structured Finance Securities

Historical default rates for Aaa-rated Structured Finance Securities



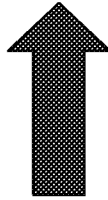
RMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%  
CMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%

Historical default rates for Aa-rated Structured Finance Securities



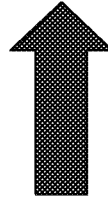
RMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%  
CMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%

Historical default rates for A-rated Structured Finance Securities



RMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%  
CMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%

Historical default rates for Baa-rated Structured Finance Securities



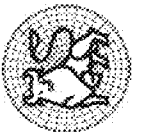
RMBS 1-year cumulative impairment rate (1993 - 2005) ~0.07%  
CMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%

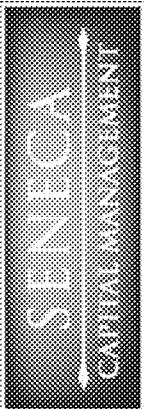
NOTE: The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success. See "Important Notice - Note to Historical Data."

For this page, and for the study referenced, "impairment" is defined as uncured payment defaults or securities downgraded to Ca or C. Impairment rates calculated using original ratings.

(1) Source: Moody's Investors Service, "Default & Loss Rates of Structured Finance Securities, 1995-2005," April 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.





## Structured Finance Securities Market Overview

### Historical Recovery Rates of Structured Finance Securities (1)(2)(3)(6)

- A Moody's study on recovery rates of RMBS/Home Equity Loans ("HEL") collateral has concluded the following:
  - Estimated recovery rate for "Baa"-rated RMBS/HEL is 67.4% (1)(5)
  - Estimated recovery rate for "A"-rated RMBS/HEL is 75.0% (1)(5)
  - Estimated recovery rate for "Aa"-rated RMBS/HEL is 91.3% (1)(5)
  - Estimated recovery rate for "Aaa"-rated RMBS/HEL is 97.7% (1)(5)
- CMBS and RMBS Structured Finance Securities, including HEL securities, may receive more substantial cashflow in respect of interest and principal after a default than comparable corporate securities
- Moody's concludes that "the structured finance sector outside the United States excluding CDOs did not have any newly impaired tranches in 2005. The sector's total number of impairments remains at only five for the entire sample period. Declining impairments, coupled with strong growth in the number of outstanding ratings, drove the one-year impairment rate – the number of newly impaired tranches as a percentage of the total tranches outstanding at the beginning of a year – down to historical lows"<sup>(4)</sup>

(1) Source: Moody's Investors Service, "Default & Loss Rates of Structured Finance Securities: 1993-2005," April 2006, p. 19

(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"

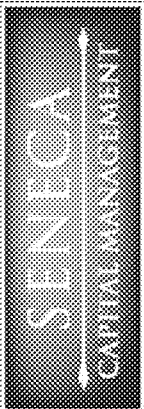
(3) Potential investors are urged to conduct their own investigation regarding the underlying asset class including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral

(4) Source: Moody's Investors Service, "Default & Loss Rates of Structured Finance Securities: 1993 - 2005," April 2006, p. 4

(5) Data is based on a limited number of defaulted assets. Moody's records the number of defaulted RMBS/HEL Securities that were originally rated "Aaa," "Aa," "A," and "Baa" as 11, 25, 19, and 115, respectively. Data for recovery rates is updated through January 2006, with defaults identified as of December 31, 2005 and includes both matured and non-matured tranches

(6) Past performance is not a guarantee or indication of future performance





# Structured Finance Securities Market Overview

## Rating Stability (1)(2)(3)

### One-Year Rating Transition Matrices in All Structured Finance Categories

#### Structured Finance Securities and CDOs (2005 only)

Rating from:	Rating to:						
	Aaa	Aa	A	Baa	Ba	B	Caa or below
Aaa	99.70%	0.24%	0.04%		0.01%		
Aa	8.25%	90.61%	0.83%	0.18%	0.07%	0.04%	0.02%
A	2.03%	5.57%	91.30%	0.76%	0.18%	0.04%	0.13%
Baa	0.45%	0.57%	4.23%	93.07%	1.02%	0.39%	0.27%
Ba	0.10%	0.10%	0.21%	3.44%	92.66%	2.52%	0.98%
B	0.10%		0.20%		2.66%	89.76%	7.29%
Caa or below					0.10%	0.10%	99.79%

#### Structured Finance Securities and CDOs (1984 - 2005)

Rating from:	Rating to:						
	Aaa	Aa	A	Baa	Ba	B	Caa or below
Aaa	98.92%	0.75%	0.19%	0.07%	0.02%	0.01%	0.03%
Aa	5.82%	91.18%	1.97%	0.64%	0.16%	0.10%	0.13%
A	1.27%	3.37%	92.49%	1.88%	0.56%	0.21%	0.22%
Baa	0.40%	0.55%	2.89%	91.23%	2.77%	1.12%	1.04%
Ba	0.10%	0.10%	0.51%	3.36%	87.62%	3.51%	4.80%
B	0.06%		0.11%	0.41%	2.07%	86.75%	10.59%
Caa or below					0.07%	0.32%	99.61%

(1) Source: "Structured Finance Rating Transitions: 1983-2005," Moody's Investors Service, February 2006, p. 8, p. 37

(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.

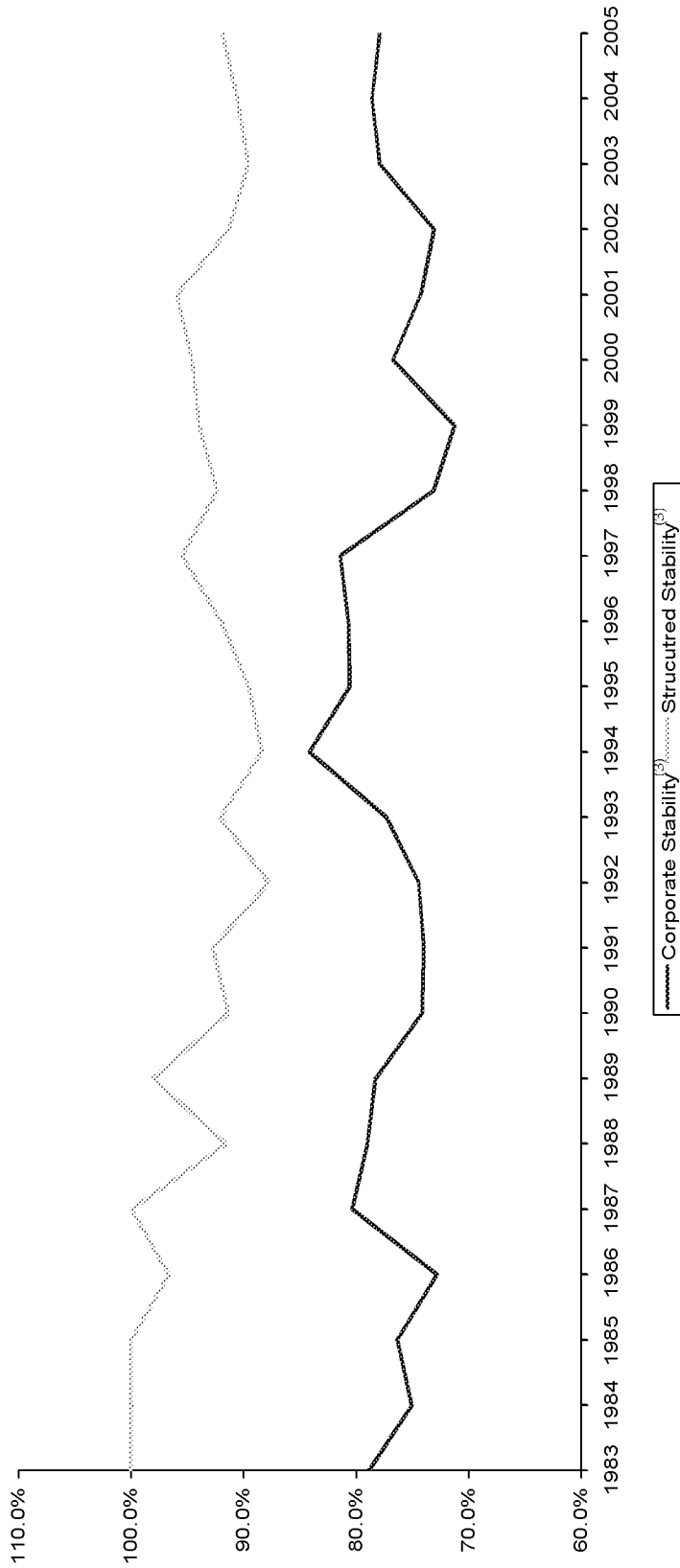
(3) The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success. See "Important Notice" For the purposes of this study, "Structured Finance Securities" includes ABS, CMBS, RMBS and CDO Securities of all ratings. Because the investment portfolio of Broderick 2 may have different collateral characteristics than those in the Moody's study, and is expected to include only a relatively small proportion of CMBS, the historical rating stability of a portfolio of assets allocated similarly to that of the investment portfolio of Broderick 2 may be less stable than the structured finance securities which were the subject of the Moody's study



# Structured Finance Securities Market Overview

## Rating Stability (cont'd) (1)(2)(4)(5)

Rating stability in Structured Finance Securities and CDO Securities has been higher than in corporate bonds every year from 1983 to 2005, and was more than 10 percentage points higher than in corporate bonds in 2005.



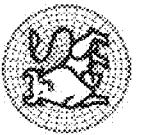
(1) Source: "Structured Finance Rating Transitions: 1983-2005," Moody's Investors Service, February 2006

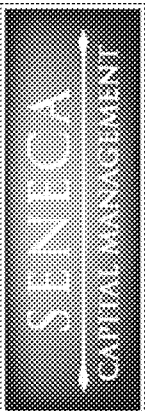
(2) Potential investors are urged to conduct their own investigation regarding the underlying asset class including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral

(3) "Corporate Stability" refers to the percentage of Structured Finance Securities and CDO Securities which do not experience a ratings upgrade or downgrade. "Structured Stability" refers to the percentage of corporate bonds which do not experience a ratings upgrade or downgrade

(4) The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success

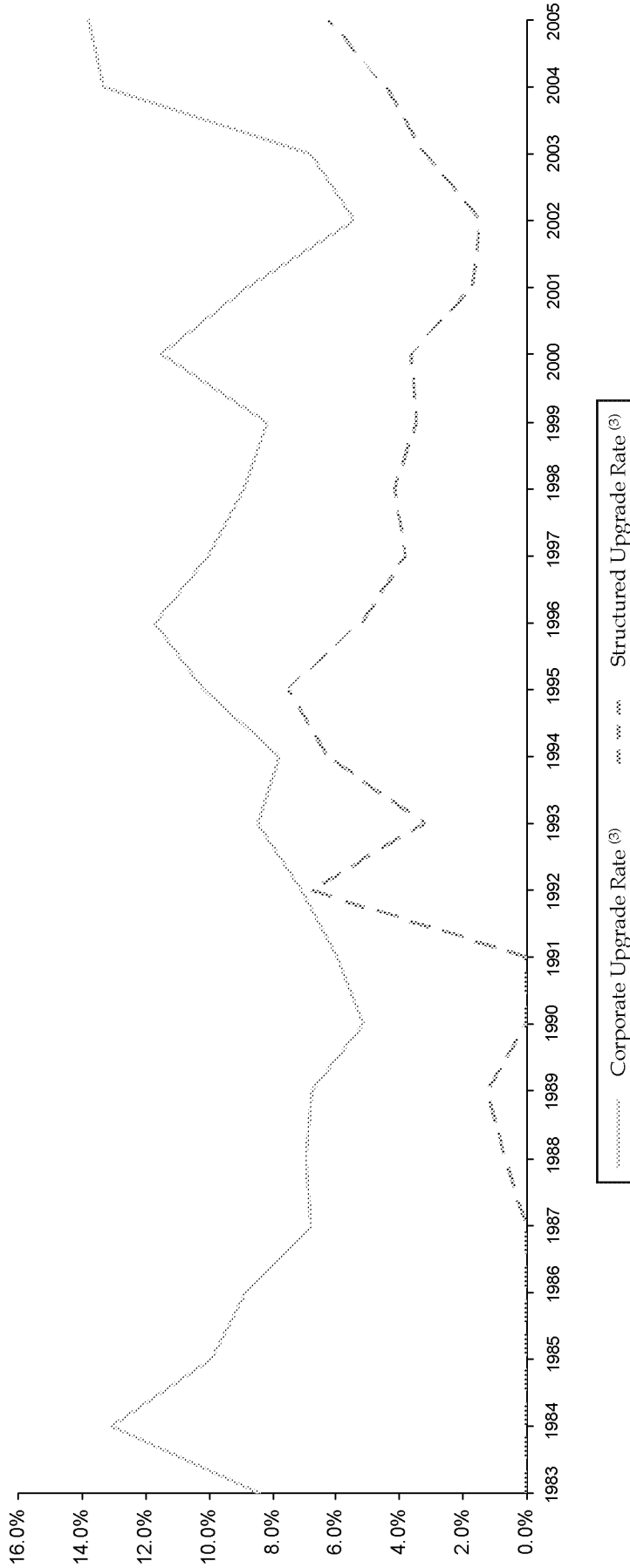
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# Structured Finance Securities Market Overview

Ratings Volatility - Upgrade Rates (1)(2)(4)(5)

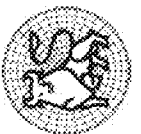


(1) Source: "Structured Finance Rating Transitions: 1983-2005," Moody's Investors Service, February 2006, p. 1

(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 "Corporate Upgrade Rate" refers to the percentage of Structured Finance Securities and CDO Securities which experience a ratings upgrade. "Structured Upgrade Rate" refers to the percentage of corporate bonds which experience a ratings upgrade

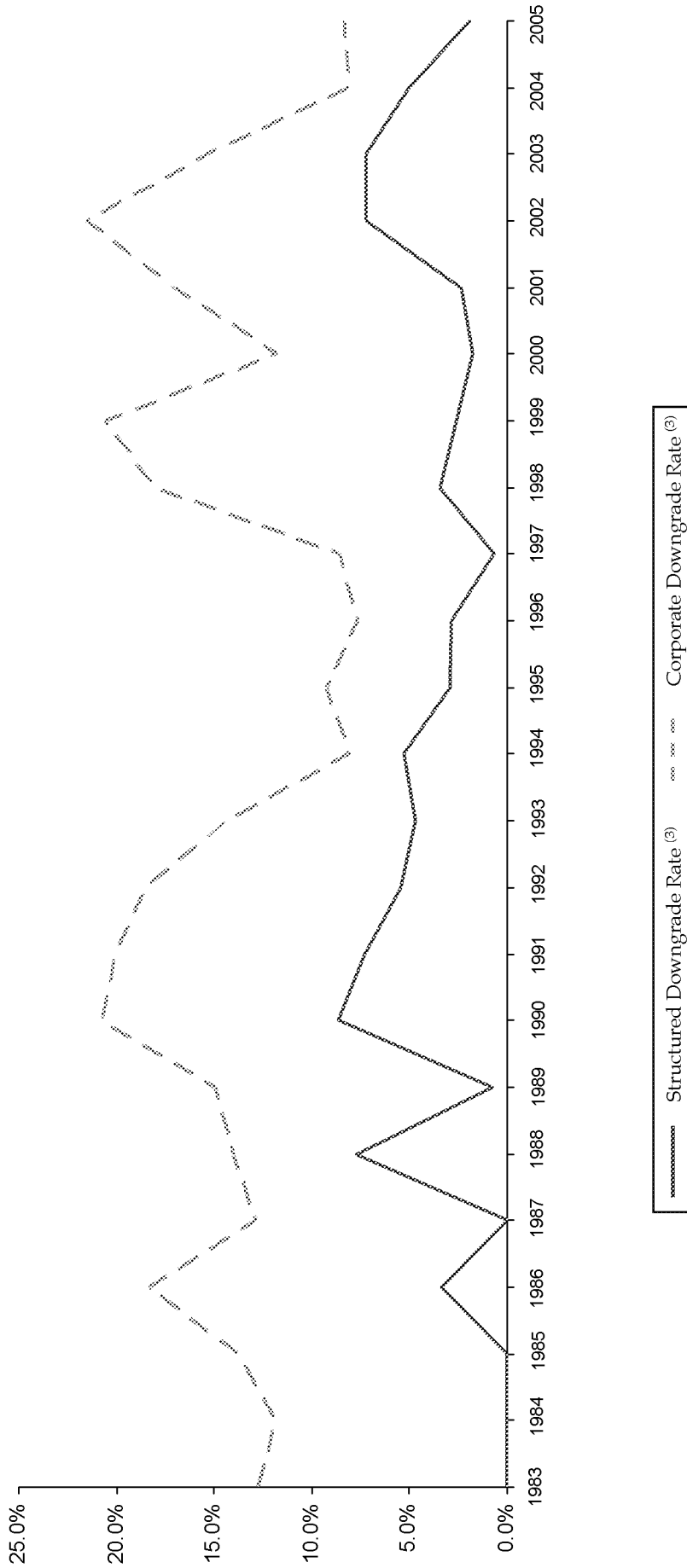
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# Structured Finance Securities Market Overview

**Ratings Volatility - Downgrade Rates (1)(2)(4)(5)**



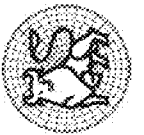
(1) Source: "Structured Finance Rating Transitions: 1983-2005," Moody's Investors Service, February 2006, p.1

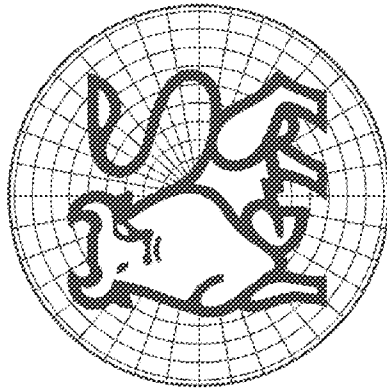
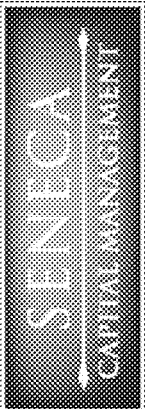
(2) Potential investors are urged to conduct their own investigation regarding the underlying asset class including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral.

(3) "Structured Downgrade Rate" refers to the percentage of Structured Finance Securities and CDO Securities which experience a ratings downgrade. "Corporate Downgrade Rate" refers to the percentage of corporate bonds which experience a ratings downgrade

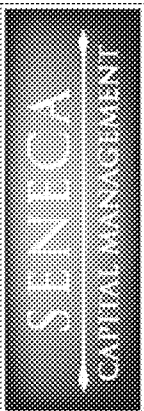
(4) The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success

(5) For the purposes of this study, "Structured Finance Securities" includes ABS, CMBS, RMBS and CDO Securities of all ratings. Because the investment portfolio of Broderick 2 may have different collateral characteristics than those in the Moody's study, and is expected to include only a relatively small proportion of CMBS (see "Asset Class Selection - Broderick 2 Portfolio"), the historical rating stability of a portfolio of assets allocated similarly to that of the investment portfolio of Broderick 2 may be less stable than the structured finance securities which were the subject of the Moody's study



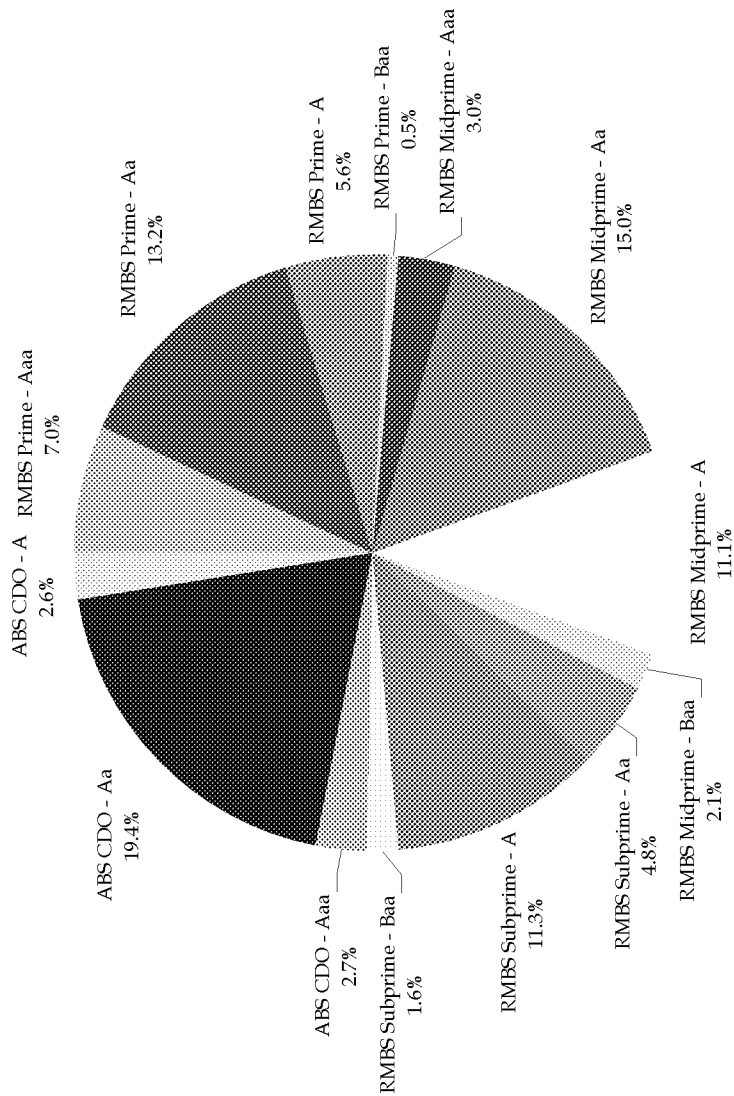


## B. Broderick CDO 2 Ltd. Portfolio



# Broderick CDO 2 Ltd. Portfolio Portfolio Composition for Illustrative Purposes

## Representative Portfolio<sup>(1)(2)</sup>



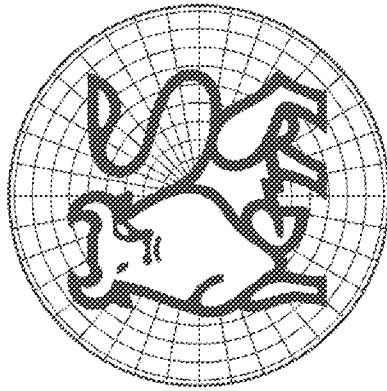
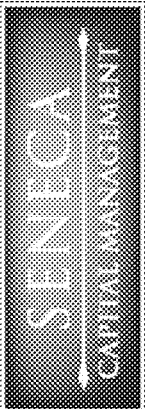
NOTE: The Representative Portfolio is an indicative target portfolio assumed for modeling purposes, and therefore the actual portfolio of the Issuer is expected to vary from the Representative Portfolio. The actual structure of the final transaction, including the composition of the collateral to be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

(1) This is an indicative portfolio. All information shown on this page is for illustrative purposes only. The actual structure of the final transaction, including the composition of the collateral to be acquired, will be determined at or around the time of pricing of the Offered Securities based upon market conditions and other factors applicable at that time. The actual portfolio on the effective date may be materially different from the one presented above, and the portfolio may change over time. The representative portfolio is a target portfolio assumed for modeling purposes, and the actual portfolio of the Issuer is expected to vary from the representative portfolio and, depending on the availability and relative prices of the various different types of collateral, may vary significantly from representative portfolio.

(2) The assets held by Broderick 2 consist of (i) RMBS, (ii) ABS and (iii) CDOs. It is anticipated that up to [25]% of the assets held by Broderick 2 may consist of underlying CDO collateral. As a result, purchasers of the securities must understand that if they hold debt or equity issued by other CDOs, their credit exposure to such CDOs will increase to the extent securities issued by those CDOs are also included in the assets of Broderick CDO 2.







### III. Transaction Highlights

# Transaction Highlights<sup>(1)</sup>

## Summary of Terms

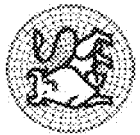
**Type** ABS CDO Cash Flow Transaction  
**Manager** Seneca Capital Management LLC  
**Issuer** Broderick CDO 2 Ltd.  
**Total Size** Approximately \$[1.6] billion

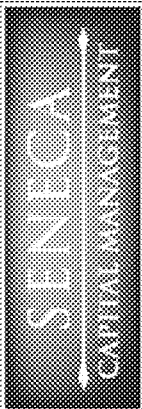
	CLASS A-1A NOTES <sup>(a)(b)</sup>	CLASS A-1B NOTES <sup>(a)</sup>	CLASS A-2 NOTES <sup>(a)</sup>	CLASS B NOTES <sup>(a)</sup>	CLASS C NOTES <sup>(a)</sup>	CLASS D NOTES <sup>(a)</sup>	CLASS E NOTES <sup>(a)</sup>	PREFERENCE SHARES <sup>(a)</sup>
Principal	\$[1.37%-0.00,000]	\$[64,000,000]	\$[48,000,000]	\$[67,600,000]	\$[23,500,000]	\$[8,000,000]	\$[4,900,000]	\$[8,000,000]
Percentage	[86.00]%	[4.00]%	[3.00]%	[4.23]%	[1.47]%	[0.50]%	[0.31]%	[0.50]%
Coupon Type	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Residual]
Expected Rating	[Aaa/AAA] <sup>(c)</sup>	[Aaa/AAA] <sup>(c)</sup>	[Aaa/AAA] <sup>(c)</sup>	[Aa2/AA] <sup>(c)</sup>	[A2/A] <sup>(c)</sup>	[Baa2/BBB] <sup>(c)</sup>	[Ba1/BB+] <sup>(c)</sup>	[Not Rated]
Rating Agency	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	N/A
Average Life <sup>(d)</sup>	[5.1] years	[5.4] years	[5.4] years	[5.4] years	[5.4] years	[5.3] years	[5.3] years	N/A
Legal Maturity	[2049]	[2049]	[2049]	[2049]	[2049]	[2049]	[2049]	[2049]
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 <sup>(e)</sup> \$1,000 increments]

Collateral Profile <sup>(5)</sup>	Collateral Profile <sup>(5)</sup>
<ul style="list-style-type: none"> <li>Minimum Weighted Average Coupon: [5.80] %<sup>(7)</sup></li> <li>Maximum Correlation Score: &lt;=[18.0] %<sup>(5)</sup></li> <li>Maximum Weighted Average Rating Factor: [61] (Aa3/A1)<sup>(5)</sup></li> <li>Maximum Fixed Collateral: [20.0] %</li> <li>Maximum Single Issuer Concentration: [1.0] %<sup>(8)</sup></li> <li>Maximum Collateral Rated Below Aa3: [40.0] %</li> <li>Maximum Collateral Rated Baal: [5.0] %</li> </ul>	<ul style="list-style-type: none"> <li>Minimum Weighted Average Spread: [0.56] %<sup>(7)</sup></li> <li>Maximum Weighted Average Life: [7.0] years</li> <li>Maximum CDO Securities: [25.0] %</li> <li>Maximum Single Servicer Concentration: [7.5] %<sup>(8)</sup></li> <li>Maximum Synthetics: [20.0] %</li> </ul>

**Tax Treatment:** There are important tax considerations associated with owning the Preference Shares, and investors should consult their personal tax advisers 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 Class A-1A Notes will be made monthly, payments on all other Notes and Preference Shares will be made quarterly.
- 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 pass.
- 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." 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 [5.89] %, and the expected initial weighted average spread will be approximately [0.58] %.
- A limited number of exceptions will be allowed.
- A portion of the Class A-1A Notes are expected to be drawn after the closing date but prior to the Ramp-Up Completion Date.
- Based on a successful auction call in year 17.





## Transaction Highlights Structuring Assumptions<sup>(1)</sup>

### Collateral Assumptions

Minimum Weighted Average Fixed Coupon <sup>(2)</sup>	[5.80%]
Minimum Weighted Average Floating Spread <sup>(2)</sup>	[0.56%]
Maximum Weighted Average Life	[7.0] years
Principal Amount	\$[1,600,000,000]
Maximum Correlation Score <sup>(1)</sup>	<=[18.0]%
Maximum Weighted Average Rating Factor <sup>(1)</sup>	[61] (Aa3/ A1)

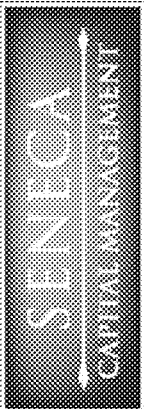
### Coverage Tests

	OC Tests <sup>(3)</sup>	Initial OC <sup>(4)</sup>
Sequential Pay Ratio <sup>(5)</sup>	[105.1]%	[107.5]%
Class A/B Overcollateralization Test <sup>(5)</sup>	[101.2]%	[102.9]%
Class C Overcollateralization Test <sup>(6)</sup>	[100.4]%	[101.3]%
Class D Overcollateralization Test <sup>(7)</sup>	[100.3]%	[100.8]%
Class E Interest Diversion Test <sup>(8)</sup>	[100.0]%	[100.5]%

The structuring 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 with 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.
- (2) The expected initial weighted average coupon will be approximately [5.90]%. The expected initial weighted average spread will be approximately [0.57]%
- (3) Test level represents the levels that must be passed in order not to cause accelerated redemption of the Notes (or to cause the deal to permanently pay principal on the Notes sequentially in the case of a breach of the "Sequential Pay Ratio")
- (4) The initial OC ratios have 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 OC ratios on the closing date will be the same as those indicated herein
- (5) In the event that a Class A/B OC Test is breached in the interest or principal waterfall, proceeds will be used first to pay down the Class A-1A Notes, then the Class A-2 Notes and finally the Class B Notes.
- (6) In the event that a Class C OC Test is breached in the interest waterfall, interest will be used first to pay down the Class C Notes, then the Class A-2 Notes and finally the Class A-1A and A-1B Notes (pro rata). In the event that a Class C OC Test is breached in the principal waterfall, principal will be used to pay down the most senior outstanding class of Notes
- (7) In the event that a Class D OC Test is breached in the interest waterfall, interest will be used first to pay down the Class D Notes, then the Class C Notes, then the Class A-2 Notes and finally the Class A-1A and A-1B Notes (pro rata). In the event that a Class D OC Test is breached in the principal waterfall, principal will be used to pay down the most senior outstanding class of Notes
- (8) In the event that the Class E Interest Diversion Test is breached in the interest waterfall, interest will be used to pay down the Class E Notes until paid in full
- (9) "Sequential Pay Ratio" is calculated as the number (expressed as a percentage) calculated by dividing the net outstanding portfolio collateral balance by the sum of (i) the aggregate outstanding amount of the Class A-1A and A-1B Notes (including any Commitments pursuant to the Class A-1A Funding Agreement) plus (ii) the aggregate outstanding amount of the Class A-2 Notes. If the ratio drops below the test level on a measurement date, the Notes will be paid down on a sequential basis on the related distribution date and all subsequent distribution dates





# Transaction Highlights Structuring Assumptions<sup>(1)</sup>

## Benchmark Assumptions<sup>(2)</sup>

First Period LIBOR

[5.40]%

Closing Date

[August 2006]

Payment Dates Monthly for Class A-1A Notes / quarterly for all other Notes and Preference Shares, beginning in [November] 2006

## Substitution Period

[3] years; Collateral Manager may substitute up to [15]% of collateral portfolio

Mandatory Auction Call

[7] years

Non-Call Period

[4] years

## Fixed Rate Reinvestment Period

Manager may reinvest amortization proceeds from fixed rate bonds and sale proceeds from credit risk securities to keep the swap in line until auction call.

## Ongoing Annual Fees and Expenses<sup>(3)</sup>

Collateral Management Fee

[9.0] bps

Trustee Fees

[1.5] bps

Administrative Expenses

[3.0] bps

Administrative Fee Cap

[\$350,000] per year

Closing Fees and Expenses

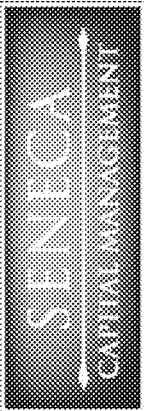
On the Closing Date, a portion of the gross proceeds from the offering will be used to pay various fees and expenses, including expenses, fees and commissions incurred in connection with the acquisition of the underlying collateral, structuring and placement agency fees payable to Merrill Lynch and legal, 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 structuring assumptions set forth in the gray shaded box on p. 19

(2) 5ML, as of [August 17, 2006]

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

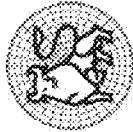


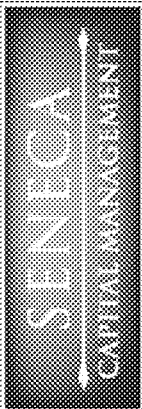
## Transaction Highlights Structuring Assumptions<sup>(1)(2)(3)</sup>

### Structuring Assumptions

- **Distribution Dates** - Distribution Dates occur on a quarterly basis, except for the first Distribution Date, which occurs [5] months after closing
- **Ramp-Up** - It is assumed that at least [94]% of the collateral will be purchased at closing and that the deal will be fully ramped within [120] days of closing
- **Mandatory Auction Call** - [7] years
- **Minimum Preferred Share IRR for Successful Auction Call** - [6]% in years [7-8], [4]% in years [9-10] and [2]% thereafter
- **Substitution Period** - [3] years; Collateral Manager may substitute up to [15]% of the collateral to improve the portfolio
- **Default and Recoveries** - Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each quarterly Distribution Date. Defaulted assets are assumed to be sold immediately after default at a price equal to the applicable recovery rate
- **Interest Rates** - Floating rate collateral accrues interest at the 3ML forward curve plus applicable spreads. The Notes accrue interest at the 3ML forward curve plus applicable spreads (3ML forward curve as of [August 17, 2006])
- **Intraperiod Reinvestment** - Principal and interest proceeds are assumed to be reinvested and accrue interest at the 3ML forward curve minus [0.25]%
- **Reset Frequency** - CDO assets and liabilities are assumed to reset based on the same quarterly LIBOR rates
- **First Period Interest Calculation** - First period interest is assumed to be [95]% of a full quarterly period's assumed interest distribution
- **Yield Calculations** - Preference Shares (and Preferred Share combination) yields are calculated using annual compounding
- **Class A/B, C, D OC and Sequential Pay Ratio Haircuts** - BB+ to BB- carried at 90%; B+ to B- carried at 80%; CCC+ and below carried at 50%

- (1) *These assumptions are not exhaustive. Actual collateral characteristics may be different from those assumed, and even if they are the same on a weighted average basis, the use of individual securities in the actual CDO structure may substantially change the results indicated*
- (2) *Please see "Important Notice - Forward Looking Statements" for disclaimers on hypothetical illustrations, forecasts and estimates*
- (3) *The assumptions shown are for illustrative purposes only. No representation or warranty is made by Merrill Lynch, Seneca or any of their affiliates as to the reasonableness of the assumptions set forth above or that such assumptions are accurate or complete or do not contain errors, or that alternative assumptions would not be more appropriate or produce significantly different results than those set forth herein. Future market or economic conditions that differ from those on which the assumptions are based may have a negative impact on the results of the illustrations contained herein. The assumptions have certain inherent limitations and will be affected by any changes in the structure or assets for this transaction*





## Transaction Highlights<sup>(1)</sup>

### Priority of Payments

#### Interest Proceeds

Interest Proceeds
Taxes paid by the Co-Issuer
Senior expenses (capped)
Collateral Management Fee
Senior hedge counterparty payments
Class A-1A Note Interest and Class A-1A Commitment Fees, then Class A-1B Note Interest
Class A-2 Note Interest
Class B Note Interest
Class A/B/C Test payments to Class A-1A and A-1B Notes (pro rata), then Class A-2 Notes and then Class B Notes
Class C Note Interest
Class C/C Test payments
Class D Note Interest
Class D/C Test payments
Deferred Interest on Class C and Class D Notes
Class E Note Interest
Class E Interest Precession Test payments
Deferred Interest on Class E Notes
Subordinated expenses
5% of excess cash flows applied to turbo principal balance of Class D and Class E Notes (pro rata)
Equity payments

#### Principal Proceeds

Principal Proceeds
Payment to cover certain Interest Proceeds shortfalls
Class A/B/C Test payments to Class A-1A, then Class A-1B, then Class A-2, then Class B Notes
Payment of principal on Class A-1A, Class A-1B, Class A-2 and Class B Notes (pro rata) up to the Class A/B Pro Rata Principal Cap <sup>(2)</sup> . After 50% of the collateral has amortized or the Sequential Pay Test has been triggered, principal is paid to Class A-1A Notes, then Class A-1B Notes, then Class A-2 Notes, then Class B Notes until fully paid
Class C Note Interest
Class C/C Test payments
Payment of principal on Class C Notes up to the Class C Pro Rata Principal Cap <sup>(3)</sup> . After 50% of the collateral has amortized or the Sequential Pay Test has been triggered, payment of the principal (including deferred interest) on Class C Notes until fully paid
Class D Note Interest
Class D/C Test payments
Payment of principal on Class D Notes up to the Class D Pro Rata Principal Cap <sup>(4)</sup> . After 50% of the collateral has amortized or the Sequential Pay Test has been triggered, payment of the principal (including deferred interest) on Class D Notes until fully paid
Class E Note Interest
Payment of principal (including Deferred Interest) on Class E Notes until fully paid
Unpaid expenses
Equity 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 that which is presented herein

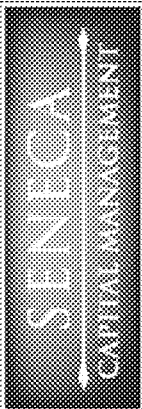
(2) The Class A/B Pro Rata Principal Payment Cap is the sum of the outstanding balances of the Class A-1A, Class A-1B, Class A-2 and Class B Notes and any undrawn amount on the Class A-1A Notes divided by the sum of the outstanding balances of the Class A-1A, Class A-1B, Class A-2, Class B, Class C, Class D and Class E Notes and any undrawn amount on Class A-1A Notes

(3) The Class C Pro Rata Principal Payment Cap is the sum of the outstanding balances of the Class C Notes divided by the sum of the outstanding balances of the Class C, Class D and Class E Notes

(4) The Class D Pro Rata Principal Payment Cap is the sum of the outstanding balance of the Class D Notes divided by the sum of the outstanding balances of the Class D and Class E Notes



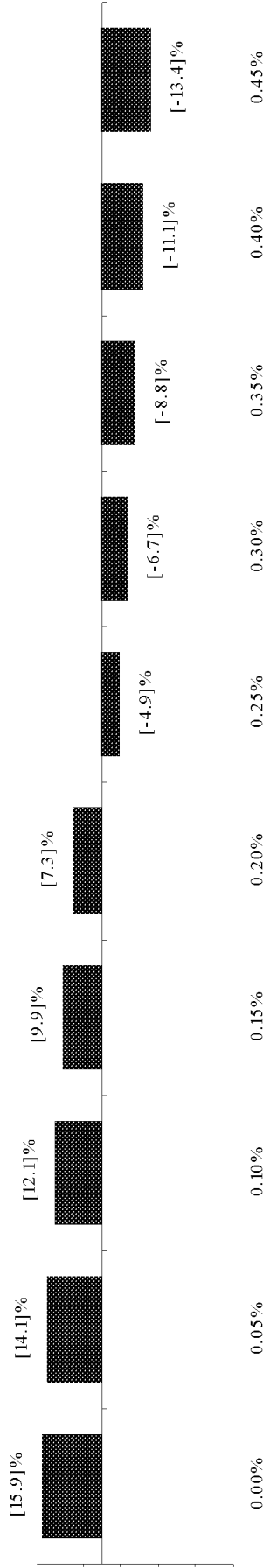




# Transaction Highlights

## Transaction Analysis

Projection of Preference Share IRR<sup>(1)(2)(3)(4)(5)</sup>

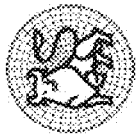


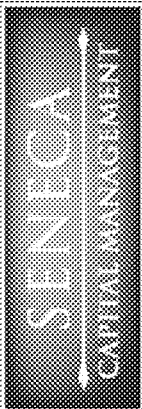
This information is not intended to be either an express or an implied guaranty of investment performance.

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 such 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 Broderick 2. 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 Structured Finance Market Overview for details and "Transaction Details - Structuring Assumptions" for a description of modeling assumptions. Assumes a weighted average spread of [0.57]% and a weighted average coupon of [5.90]%.  
 (2) Forward LIBOR refers to the curve containing the expected rates that investors in the market are willing to pay to borrow money for a three month period at some given point in the future. For this information, forward LIBOR was set on [August 17], 2006.  
 (3) Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each quarterly Distribution Date. Defaulted assets are assumed to be sold immediately after default at a price equal to the applicable recovery. Recovery assumptions: [75]% immediate recoveries  
 (4) These calculations are based on a collateral average life of [5.9] years. If the collateral amortization occurs differently than what is assumed, actual results could differ materially from those herein





# Transaction Highlights

## Transaction Analysis

### Break Even Default Rates<sup>(1)(2)(3)(4)(5)</sup>

BREAKEVEN DEFAULT RATES	Based on a Break in Yield		Based on 0% Yield	
	Annual Default Rate	Cumulative Defaults	Annual Default Rate	Cumulative Defaults
Class Description (Moody's/S&P)				
Class A-1A First Priority Senior Secured Delayed Draw Floating Rate Notes (Aaa/AAA)	[7.1]%	[32.9]%	[38.5]%	[84.1]%
Class A-1B Second Priority Senior Secured Floating Rate Notes (Aaa/AAA)	[4.7]%	[23.6]%	[9.6]%	[40.8]%
Class A-2 Third Priority Senior Secured Floating Rate Notes (Aaa/AAA)	[3.6]%	[18.4]%	[6.7]%	[31.4]%
Class B Fourth Priority Senior Secured Floating Rate Notes (Aa2/AA)	[2.0]%	[10.7]%	[5.3]%	[25.9]%
Class C Fifth Priority Senior Secured Floating Rate Notes (A2/A)	[0.7]%	[3.9]%	[1.7]%	[9.4]%
Class D Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes (Baa2/BBB)	[0.3]%	[1.8]%	[0.6]%	[3.6]%
Class E Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes (Ba1/BB+)	[0.2]%	[1.0]%	[0.5]%	[3.0]%

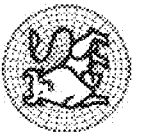
(1) "Break in yield" is the default rate at which the first dollar loss in principal occurs, and "0% Yield" is the default rate at which total cashflow received does not equal initial investment. Please see Appendix A for a description of Collateral Cashflow Formulas

(2) Assuming annual constant defaults beginning immediately, [75]%, recovery rate, forward LIBOR. Please see "Transaction Details - Structuring Assumptions" for a description of modeling assumptions. Assumes a weighted average spread of [0.57]%, and weighted average coupon of [5.90]%

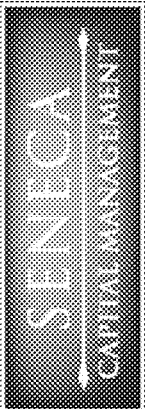
(3) All the information shown on this page is for illustrative purposes only. The transaction is at a structuring phase, and the actual structure of the transaction and characteristics of the offered securities may differ from those presented herein

(4) Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each quarterly 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 Broderick 2. 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







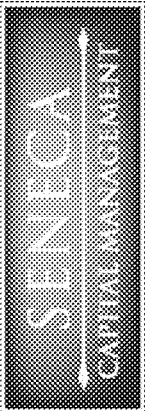
# Transaction Highlights

## Key Dates

Begin Warehousing <sup>(1)</sup>	↑	December 2005
Debt Pricing	↑	[August 2006]
Closing Date	↑	[August 2006]
Ramp-Up Completion Date	↑	[December 2006]
End of Substitution Period	↑	[February 2009]
End of Non-Call Period	↑	[February 2010]
First Auction Call Date	↑	[February 2014]
Stated Maturity	↑	[February 2049]



(1) At least [94]% of the collateral is expected to be purchased or identified by the Closing Date



# Transaction Highlights Form of Offering<sup>(1)</sup>

## Form of Offering

### Form of Securities

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

### U.S. Investors

Rated Notes: Qualified Purchasers/QIBs  
Preferred 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

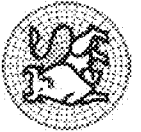
Cayman Islands Exempted Company

### Domicile/Form of Co-Issuer<sup>(1)</sup>

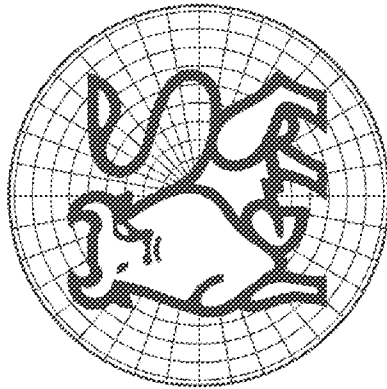
Delaware Corporation

### Listed

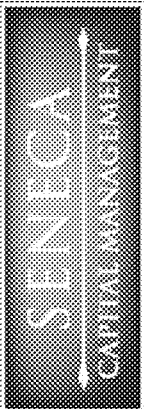
[Irish Stock Exchange] (Notes Only)  
[Channel Islands Stock Exchange] (Preferred Shares)



<sup>(1)</sup> The Class C Notes, Class D Notes and Class E Notes may not be co-issued



## IV. Risk Factors



## Risk Factors

An investment in the Offered Securities described in this Material, 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 Offered 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.

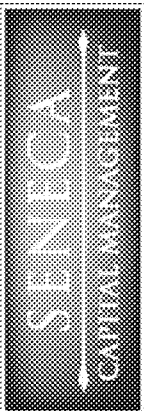
**Limited-Recourse Obligations.** The Notes will be limited-recourse obligations of the Co-Issuers, or the Issuer in the case of the Class C Notes, Class D Notes and Class E Notes, payable solely from the collateral pledged by the Issuer to secure the Notes. None of the security holders, members, officers,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

**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.

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

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





## Risk Factors

Subordination of Each Class of Subordinate Notes. No payment of interest on any class of Notes will be made until all accrued and unpaid interest on the Notes of each class that is senior to such class and that remain outstanding has been paid in full. Except as otherwise described in, and subject to, the priority of payments that will be set forth in the offering circular, no payment of principal of any class of Notes will be made until all principal of, and all accrued and unpaid interest on the Notes of each class that is senior to such class and that remain outstanding have 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 so long as any Class A and Class B Notes are outstanding, the failure on any payment date to make payment in respect of interest on the Class C Notes, Class D Notes or Class E 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 E Notes, third, by the holders of the Class D Notes, fourth, by the holders of the Class C Notes, fifth, by the holders of the Class B Notes, sixth, by the holders of the Class A-2 Notes and first, by the holders of the Class A-1 Notes.

Ongoing Commitments – the Class A-1A Notes. The Class A-1A Notes are not expected to be fully drawn at closing. If this is the case, it is anticipated that holders of the Class A-1A Notes will be obligated during a commitment period expected to run from the closing date to [5] 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.

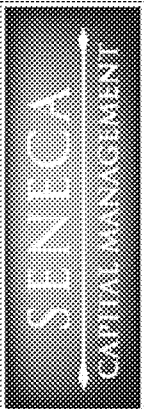
Nature of Collateral. The collateral will be subject to credit, liquidity, interest rate, market, fraud, operations and structural risk. The amount and nature of the collateral securing the Notes will be established with a view to withstanding certain assumed deficiencies in payment occasioned by defaults 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 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).

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

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## Risk Factors

Early Redemption of the Notes. In addition to the risk of early redemption of the Notes discussed in the immediately preceding paragraph, the Notes may be subject to early redemption [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 addition, it is anticipated that if the Notes have not been paid in full prior to [September 2013], an auction of the collateral will be conducted and subject to satisfaction of certain conditions, will be sold and used to redeem the Notes. The Notes may also be subject to early redemption on the occurrence of certain adverse tax events to be described in the Offering Circular.

Certain Conflicts of Interest. The activities of the Manager, Merrill Lynch and their respective affiliates may result in certain conflicts of interest.

Conflicts of Interest Involving the Manager. Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager and its affiliates for their own accounts or for the accounts of others. The 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 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 by the Issuer and otherwise create conflicts of interest for the Issuer. In such instances, the 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.

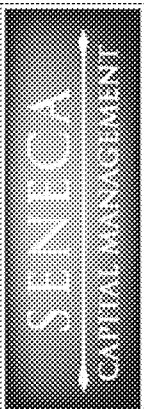
Although the officers and employees of the Manager will devote as much time to the Issuer as the Manager deems appropriate, the principals and employees may have conflicts in allocating their time and services among the Issuer and other accounts advised by the Manager and/or its affiliates. In addition,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

The 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 investment advisor or investment manager for, investing in, lending to, or being affiliated with, other entities organized to issue collateralized bond obligations secured by securities such as those included in the Collateral and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable for inclusion in the Collateral. The 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 Manager may furnish investment management and advisory services to others who may have investment policies similar to those followed by the 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 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). Furthermore, although the Manager or one of its affiliates may purchase Preference Shares, there can be no assurance that such Manager or affiliate will continue to hold Preference Shares.

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## Risk Factors

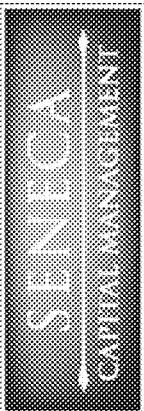
**Conflicts of Interest Involving Merrill Lynch.** Certain of the Collateral Debt Securities acquired or to be acquired by the Issuer will consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which Merrill Lynch or an affiliate thereof has acted as underwriter, agent, placement agent or dealer or for which Merrill Lynch or an affiliate thereof has acted as lender or provided other commercial or investment banking services. Merrill Lynch or an affiliate thereof may structure issuers of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. Merrill Lynch or an affiliate thereof may also act as counterparty with respect to one or more Synthetic Securities. In its role as counterparty with respect to Synthetic Securities, Merrill Lynch or one of more of its affiliates may manage a pool of reference obligations with respect to the Synthetic Securities and make determinations regarding those reference obligations. In addition, an affiliate of Merrill Lynch may act as Hedge Counterparty under one or more Hedge Agreements with the Issuer. Moreover, Merrill Lynch or its affiliates may from time to time enter into derivative transactions with third parties with respect to the Offered Securities or with respect to Collateral Debt Securities acquired by the Issuer, and Merrill Lynch or its affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. Merrill Lynch, its employees, affiliates and employees of affiliates will receive compensation in connection with the structuring of the Issuer and/or distribution of the Offered 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.

**Synthetic Securities.** A portion of the Collateral Debt Securities may consist of Synthetic Securities the reference obligations of which are Asset-Backed 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.

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## Risk Factors

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

Redemption and Diversion of Interest Proceeds. The Offered 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 Offered 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 the Preference Shares, which could adversely impact the economic return realized by such holders.

Auction Call Redemption. If the Notes have not been redeemed in full prior to the Payment Date occurring in [September 2013], then an auction of the Collateral Debt Securities will be conducted and, provided that certain conditions are satisfied, in particular with respect to the sufficiency of anticipated proceeds from the proposed sale of the Collateral Debt Securities, the Collateral Debt Securities will be sold and the Notes will be redeemed on such Payment Date. If such conditions are not satisfied and the auction is not successfully conducted on such Payment Date, the Manager will conduct auctions on each Payment Date thereafter. However, the Notes will not be redeemed until the conditions are satisfied.

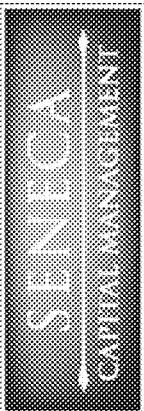
Application of Principal Proceeds. Principal Proceeds from the Collateral Debt Securities will be used to pay principal on the Notes. The CO-Issuers cannot predict the actual rate of principal payments that will be experienced on the Collateral Debt Securities.

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

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TO BE PROVIDED.







## Risk Factors

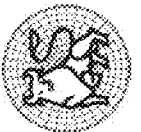
Tax Treatment of the Securities. Because the Issuer will be a passive foreign investment company, a United States person holding Preference Shares may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Issuer also may be a controlled foreign corporation, in which case United States persons holding Preference Shares could be subjected to different tax treatments. Holders will be required to treat the Class C Notes, Class D Notes and Class E Notes as debt for U.S. Federal income tax purposes. It is possible that the treatment of the Class C Notes as debt of the Issuer could be challenged by the U.S. Internal Revenue Service. If a challenge were successful, the Class C Notes, Class D Notes and Class E Notes would be treated as equity interests in the Issuer, and the U.S. federal income tax consequences of investing in the Class C Notes, Class D Notes and Class E Notes would be similar to the consequences of investing in the Preference Shares without electing to treat the Issuer as a qualified electing fund.

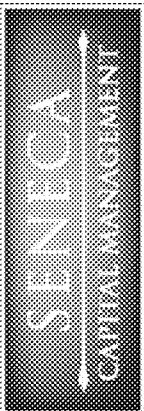
U.S. Taxes on the Issuer. The Issuer expects to conduct its affairs so that its income generally will not be subject to tax on a net income basis in the United States or any other jurisdiction. The Issuer also expects that payments received under the Collateral Debt Securities generally will not be subject 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.

Non registration under the Securities Act: Restrictions on Transfer of the Securities. The Offered Securities have not been and will not be registered under the Securities Act or under any U.S. state securities "Blue Sky" laws or the securities laws of any other jurisdiction and are being issued and sold in reliance on exemptions from registration provided by such laws and may only be transferred in a transaction that does not make the Co-Issuers subject to the registration requirements of the Investment Company Act. Therefore, none of Offered Securities may be sold or transferred unless such sale or transfer is in compliance with the transfer restrictions set forth in the Offering Circular. In addition, transfers are subject to the restrictions resulting from the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

In addition, it is expected that certain Collateral Debt Securities purchased by the Issuer will not have been registered or qualified under the Securities Act, or the securities laws of any other jurisdiction, and no person will be obligated to register or qualify any of such Collateral Debt Securities under the Securities Act or any other securities law. Consequently, the Issuer's purchase and any subsequent sale of such Collateral Debt Securities will be subject to satisfaction of legal requirements applicable to transfers that do not require registration or qualification under the Securities Act or any applicable Blue Sky laws and upon satisfaction of certain other provisions of the respective agreements pursuant to which the Collateral Debt Securities were issued. Such requirements may affect the liquidity of the Collateral Debt Securities.

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## Risk Factors

*CDO of CDOs.* The assets held by Broderick 2 which back the Offered Securities consist of (i) Asset Backed Securities including RMBS and CMBS and (ii) ABS CDOs. It is anticipated that up to [25]% of the assets held by Broderick 1 may consist of CDO securities; provided that the securities issued by any one CDO may not exceed [1] % of Broderick 2 portfolio (with some exceptions). As a result, purchasers of the Offered Securities must understand that if they hold debt or equity issued by other CDOs, their credit exposure to such CDOs will increase to the extent securities issued by those CDOs are also included in the assets of Broderick 2.

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

*Interest Rate Risk.* The Notes will bear interest at a rate based on three-month LIBOR (except in the case of the Class A-1A Notes, which will bear interest 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 CDO Issuer will enter into in connection with the transaction. There can be no assurance that the collateral debt securities and eligible investments, together with such hedge agreements, will in all circumstances generate sufficient interest proceeds to make timely payments of interest on the notes.

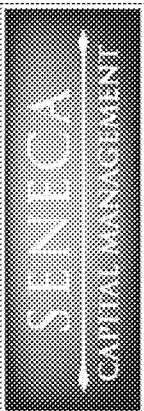
*Reinvestment Risk.* There can be no assurance that in the event that any of the underlying collateral is prepaid that spreads prevailing at such time will be at the same levels as they were on the Closing Date with respect to the Offered Securities. To the extent the proceeds of such prepayments are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

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

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

**The summary risk factors presented above are subject in their entirety to the complete presentation of risk factors in the final Offering Circular. THE ATTENTION OF POTENTIAL INVESTORS IS DRAWN TO THE RISK FACTORS WHICH ARE DESCRIBED IN THE OFFERING CIRCULAR TO BE PROVIDED.**





## Risk Factors

**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. In addition, from time to time the rating agencies may change the criteria for their respective ratings methodologies, which may impact ratings and, if market participants consequently enter or leave the leveraged market, pricing spreads, which may impact the ability of the Collateral Manager to identify appropriately priced Collateral Debt Securities for the Issuer and expose the Holders of the Offered Securities to increased reinvestment risk.

**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 estimates. 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 such assumptions 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.

**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 overcollateralization tests to certain minimum required levels, to repay principal of one or more classes of Notes.

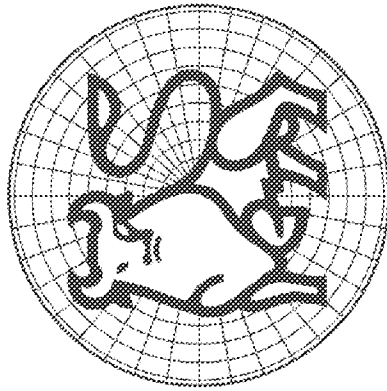
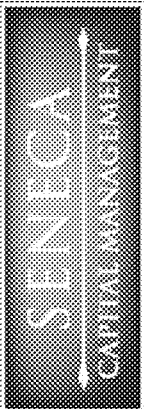
In addition, if the Issuer is unable to obtain confirmation of the ratings of the Notes from each of the rating agencies rating the Notes by the [30]th day following the ramp-up completion date, first uninvested proceeds, then, to the extent that the application of uninvested proceeds is insufficient, 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 [30]th day to redeem first the Class A-1A Notes, then the Class A-1B 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, in each case to the extent necessary to obtain such rating confirmation from each of the rating agencies.

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

The Collateral Manager may, on any distribution date occurring prior to the last day of the reinvestment period, in its sole discretion elect to apply all or a portion of the principal proceeds available for reinvestment to the payment of principal of the Notes in accordance with the priority of payments, which application may result in a deferral of principal payments to the holders of one or more classes of Notes that are subordinate to any other outstanding class of Notes, which could adversely impact the returns of such holders.

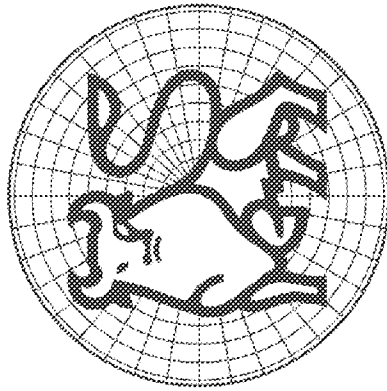
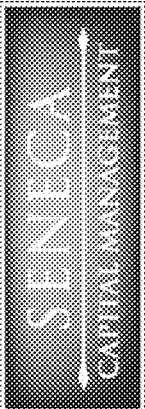
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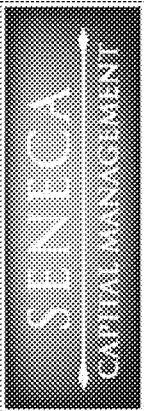


## V. About the Collateral Manager

*All information in this Section has been provided by the Collateral Manager. Except as otherwise indicated, such information is as of [March 2006].*



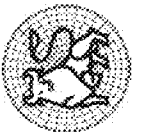
A. Introduction to Seneca Capital  
Management LLC

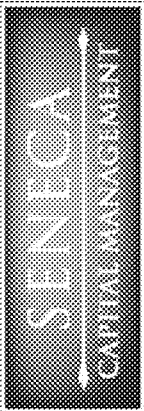


## Seneca Capital Management LLC

- Founded in 1989, Seneca Capital Management LLC is an indirect, wholly-owned subsidiary of The Phoenix Companies, Inc. (NYSE: PNX). Although wholly-owned by Phoenix, Seneca is independently managed by a committee of senior executives. The firm provides investment management services to pension funds, foundations, endowments, corporations, multi-employer plans and private clients. Seneca's growth and success are attributable to its track record and client service.
- Highlights of Seneca include:
  - Registered with the Securities Exchange Commission since 1989
  - As of June 30, 2006, \$9.7 billion of fixed income and equity assets under management income products
  - 27 investment professionals with an average of 15 years of investment experience, including 11 CFA charterholders
    - Team-oriented approach
    - Consistency across portfolios and performance
- Investment specialties include:
  - Active fixed income and growth equity management
  - Structured investment funds (CDOs, hedge funds, REITs, total return swaps)
  - Tax sensitive management

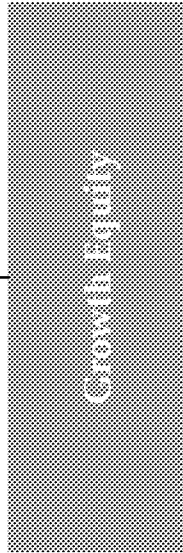
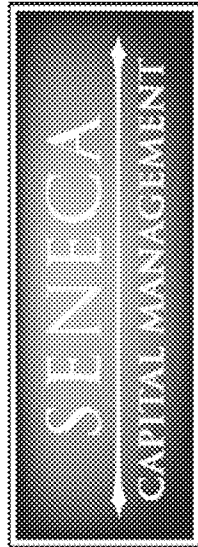
(1) See pages 43-45 for CDO transaction experience  
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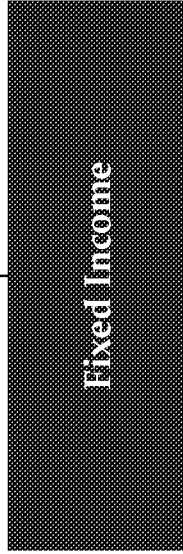


# Seneca Capital Management LLC

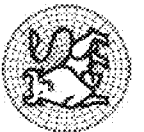
## Seneca Overview



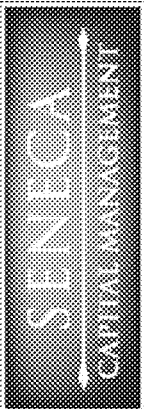
- Large Cap
- Mid Cap
- Small Cap



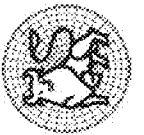
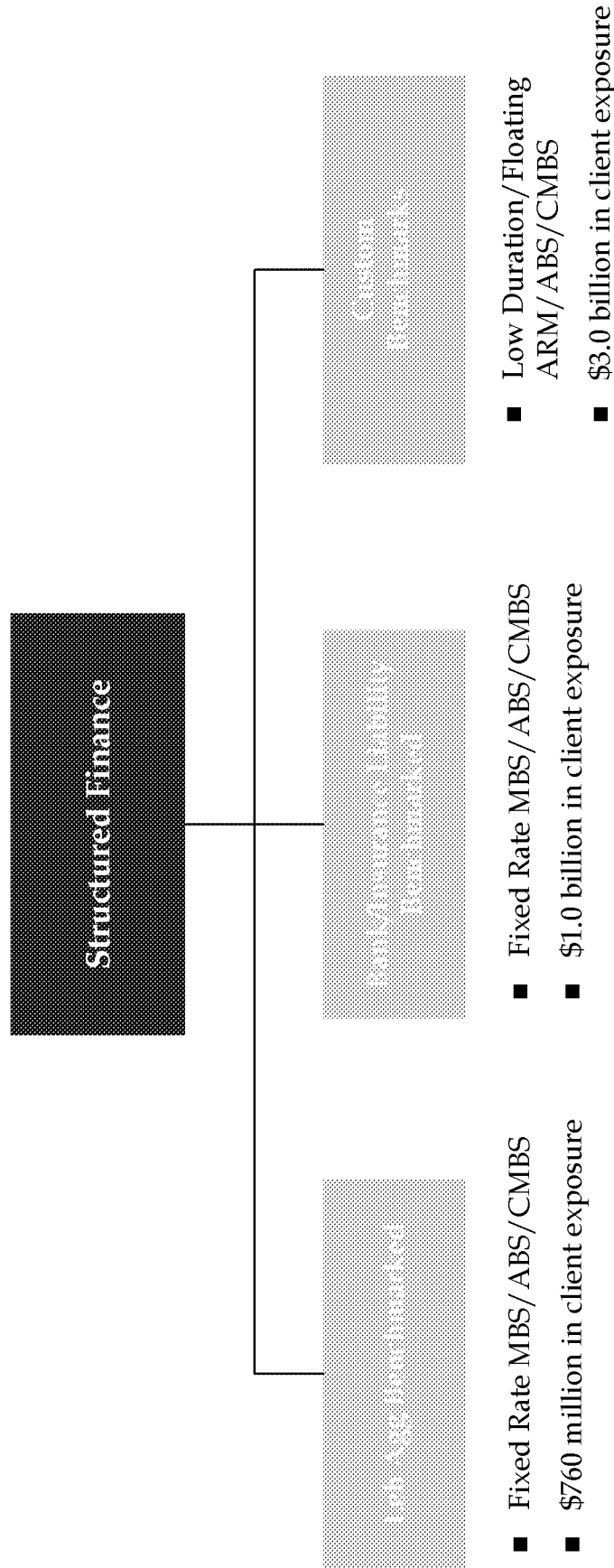
- Structured Finance  
(MBS/ABS/CMBS/Derivatives)
- Government/Agencies
- Investment Grade Corporates
- High Yield
- Municipals
- Cash



All information in this section has been provided by the Collateral Manager. As of [March 2006]

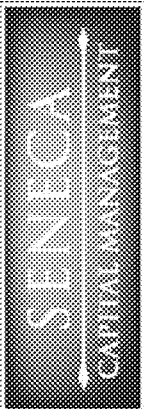


# Seneca Capital Management LLC Structured Finance Overview

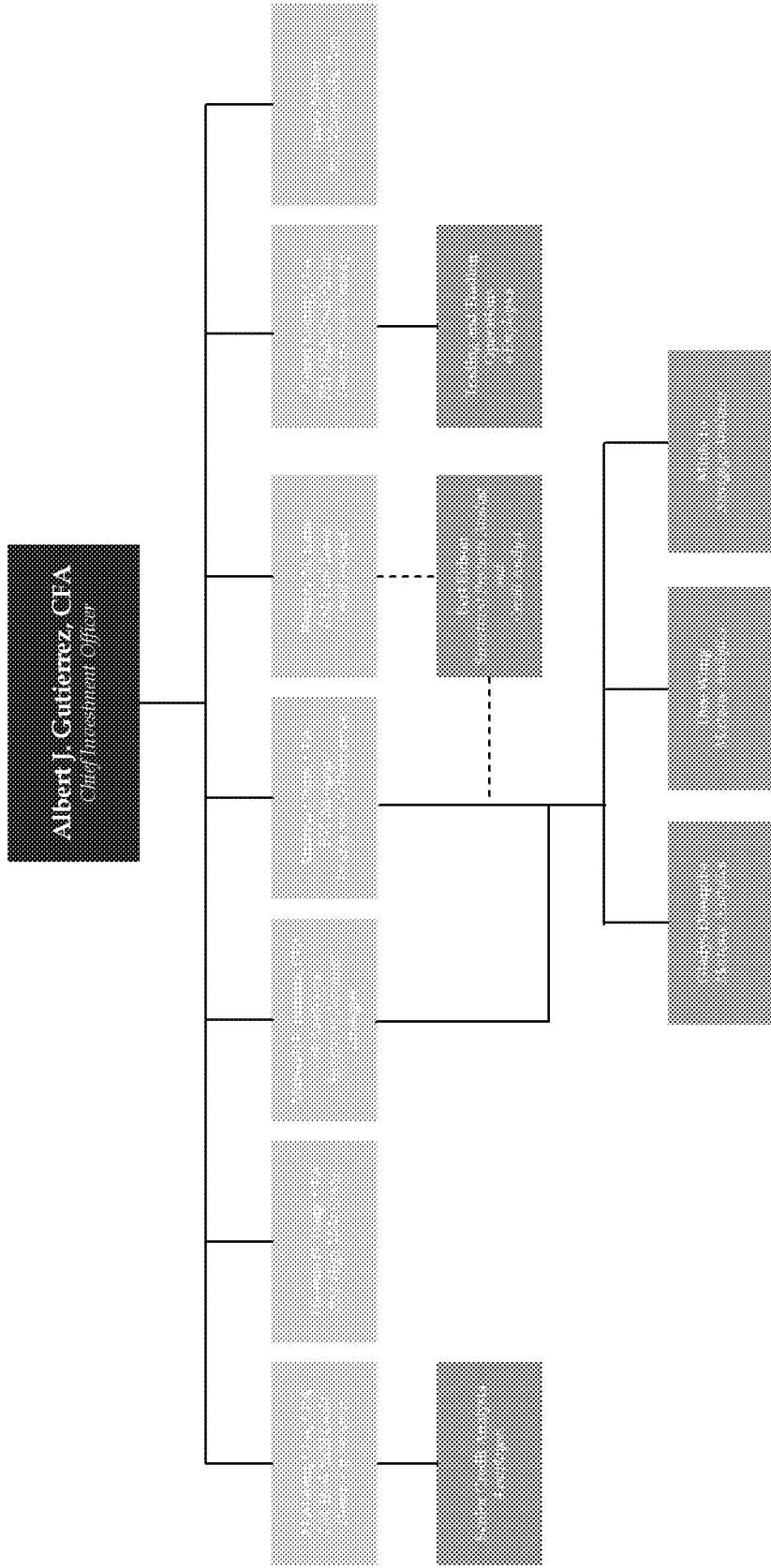


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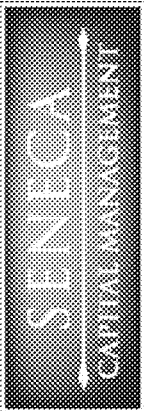


# Seneca Capital Management LLC Fixed Income Organizational Chart



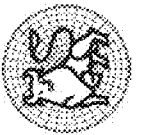
*There can be no assurance that the professionals currently employed by the Collateral Manager will continue to be employed by the Collateral Manager or that the past performance or success of any such professional serves an indicator of such professional's future performance or success. All information in this section has been provided by the Collateral Manager. Merrill Lynch has not independently verified any such information and is not responsible for its accuracy or completeness. As of [March 2006]*



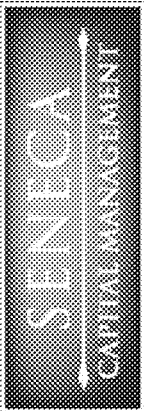


## Seneca Capital Management LLC Collateralized Debt Obligation Investment Expertise

- Seneca began managing CDOs in 1999 with the closing of Gibraltar Limited, a \$400 million CBO
  - Seneca subsequently closed four additional CDOs each backed by assets consisting of high yield bonds, leveraged loans and credit derivatives
- Highlights of Seneca's platform include:
  - Disciplined credit research and CDO analytics process
  - Proprietary CDO analytics system used for compliance testing, projections and investor reporting
  - Intex CDO analytics system used for third party compliance testing, projections, and investor reporting
- Seneca currently manages the following three CDOs:
  - Gibraltar Limited: \$400 million cash flow CBO closed in February 1999 (reinvestment period ended in February 2004)
  - Seneca CBO IV, Limited: \$285 million cash flow CBO closed in October 2001
  - Broderick CDO 1 Ltd.: \$1 billion cash flow high grade RMBS/ABS CDO closed in December 2005
  - Seneca previously managed the following two CDOs that have been redeemed
    - Seneca CBO II, L.P.: \$290 million cash flow CBO closed in September 1999 (and redeemed in April 2006)
    - Seneca CBO III, Limited: \$250 million cash flow CBO closed in November 2000 (and redeemed in June 2006)

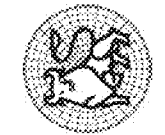


*All information in this section has been provided by the Collateral Manager. Merrill Lynch has not independently verified any such information and is not responsible for its accuracy or completeness. As of [March 2006]*

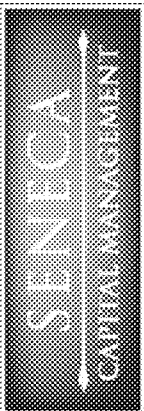


## Seneca Capital Management LLC Collateralized Debt Obligation Investment Expertise (cont'd)

- Seneca has demonstrated a strong track record in managing CDOs through a difficult credit environment:
  - Gibraltar Limited ranked 8<sup>th</sup> out of 43 vintage 1999 cash flow CBOs<sup>(1)</sup>
  - Seneca CBO III, L.P. ranked 12<sup>th</sup> out of 29 vintage 2000 cash flow CBOs<sup>(1)</sup>
  - Seneca CBO IV, Limited ranked 14<sup>th</sup> out of 28 vintage 2001 cash flow CBOs<sup>(1)</sup>
- The current leveraged finance team has made significant efforts to improve the quality and performance of Seneca CBO II, L.P. (currently ranked 9<sup>th</sup> out of 43 vintage 1999 cash flow CBOs)<sup>(1)</sup>:
  - Amended indenture in April 2004 to allow for reinvestment of proceeds from calls and tenders:
    - Reinvested over \$63 million of proceeds in 45 trades with an average rating of B1
  - Improved the portfolio's weighted average rating factor by approximately 176 points since 12/31/02<sup>(2)</sup>
  - Improved the senior OC cushion by over 24 percentage points since 12/31/02<sup>(2)</sup>
  - Fund redeemed on April 26, 2006

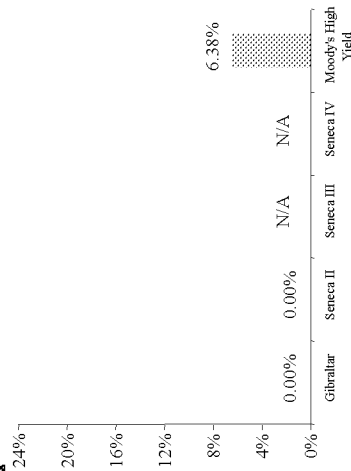


All information in this section has been provided by the Collateral Manager. Merrill Lynch has not independently verified any such information and is not responsible for its accuracy or completeness. As of [March 2006]  
(1) Moody's Deal Score Report: CDO Deal Summary Performance, February 2006  
(2) As of December 31, 2005

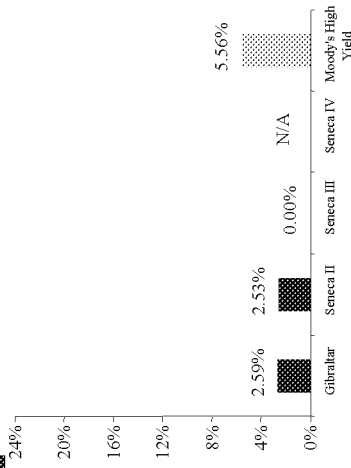


# Seneca Capital Management LLC Fund by Fund CBO Default Rates<sup>(1)(2)</sup>

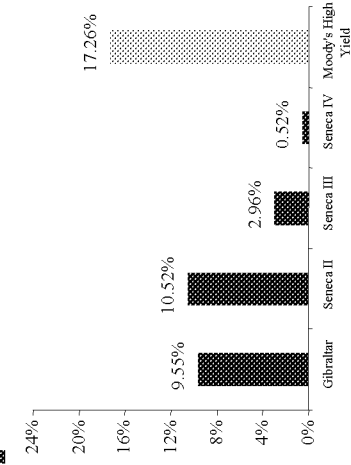
## 1999 Default Rates



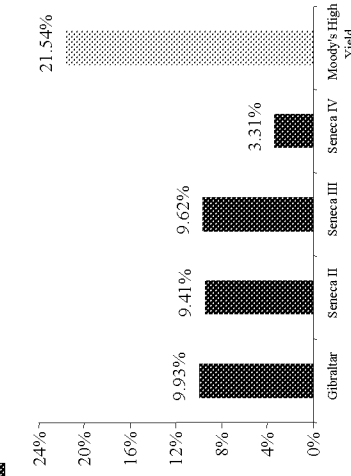
## 2000 Default Rates<sup>(3)</sup>



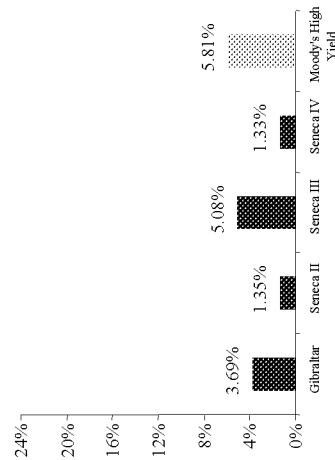
## 2001 Default Rates<sup>(4)</sup>



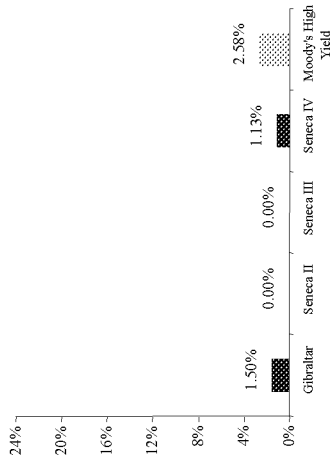
## 2002 Default Rates



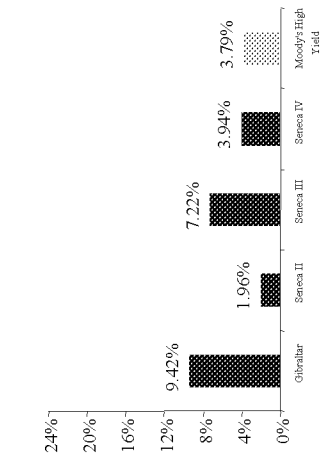
## 2003 Default Rates



## 2004 Default Rates



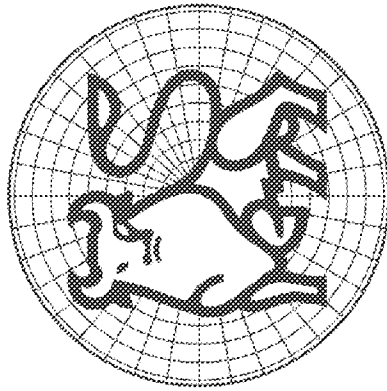
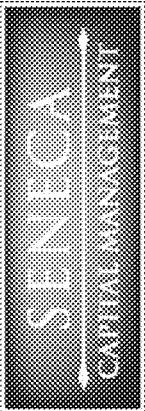
## 2005 Default Rates<sup>(5)</sup>



Source: Seneca Capital Management LLC.

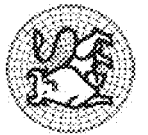
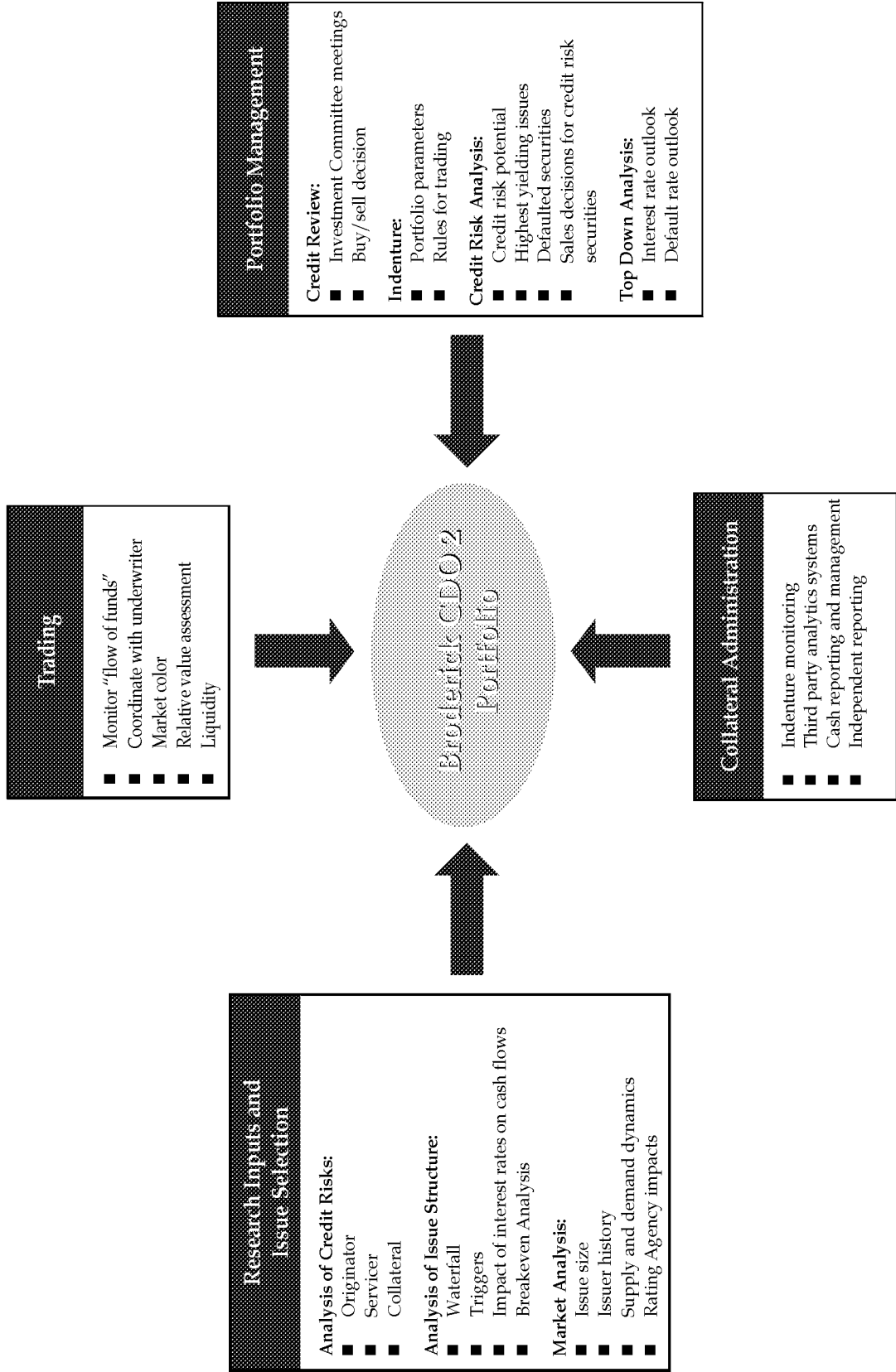
- (1) Par amount of defaults as a percentage of average assets under management for each CBO. Only assets held at the time of default are included. Average assets under management determined based on beginning and year end assets under management.
- (2) Moody's high yield data represents the Annual Global Dollar Volume-Weighted Default Rates for speculative-grade issuers, from "Default & Recovery Rates of Corporate Bond Issuers, 1920-2005," January 2006.
- (3) Seneca II average assets under management for 2000 calculated based on March 2000 and year end assets under management.
- (4) Seneca IV default rate for 2001 calculated as par amount of defaults as a percentage of year end assets under management.
- (5) Seneca II liquidated on April 24, 2006; Seneca III will be optionally redeemed on June 12, 2006; Gibraltar is past the end of reinvestment period.





## B. CDO Investment Process

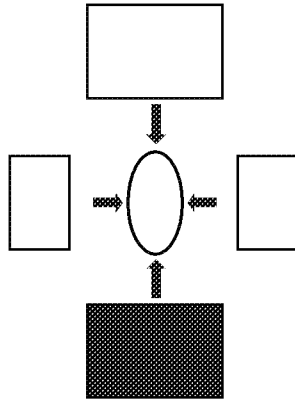
# Seneca Capital Management LLC CDO Investment Process



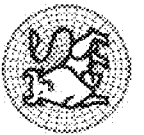
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# Seneca Capital Management LLC CDO Investment Process

## Research Inputs and Issue Selection



Analysis of Credit Risks	
<ul style="list-style-type: none"> <li>■ Originator                             <ul style="list-style-type: none"> <li>○ Historical performance</li> <li>○ Quality of senior management</li> <li>○ Financial strength of originator or parent</li> <li>○ Regional/customer predisposition</li> </ul> </li> <li>■ Servicer                             <ul style="list-style-type: none"> <li>○ Quality of master servicer, servicer, or subservicer</li> <li>○ Servicing transfers</li> <li>○ Requirement to advance</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Collateral                             <ul style="list-style-type: none"> <li>○ FICO: emphasis on distribution</li> <li>○ LTV: emphasis on distribution</li> <li>○ Loan size: emphasis on distribution</li> <li>○ OOC v. investor/2<sup>nd</sup> home borrowers</li> <li>○ Loan status (delinquency, foreclosure, bankruptcy, REO), evolution</li> <li>○ Seasoning/HPA</li> <li>○ Lien status</li> <li>○ Prop Type</li> <li>○ Doc Type</li> <li>○ MI</li> <li>○ Geographics</li> <li>○ Loan purpose</li> <li>○ DTI</li> <li>○ Principal Type (Am, Bal, IO, NegAm)</li> <li>○ PPP</li> </ul> </li> </ul>

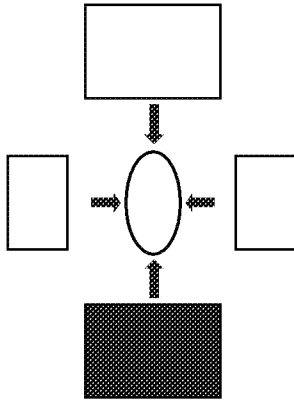


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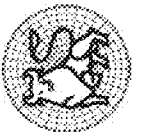
# Seneca Capital Management LLC

## CDO Investment Process

### Research Inputs and Issue Selection

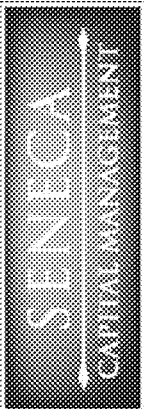


Analysis of Issue Structure & Non-Credit Risk	
■ CE	■ Fixed v. Floating
■ Interest and principal waterfalls	■ Interest rate hedging and available funds caps
■ Overcollateralization, prefunding	■ Yield Maintenance
■ Delinquency triggers, lag effects	■ Prepayments & PPP
■ Loss triggers	■ Cleanup call
■ Excess Spread	



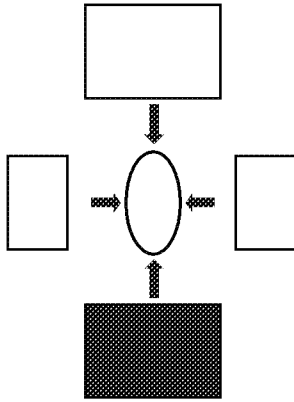
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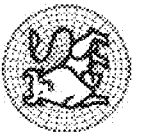
# Seneca Capital Management LLC CDO Investment Process

## Research Inputs and Issue Selection

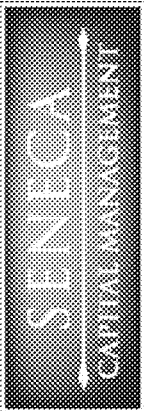


### Market Analysis

- Issue size
  - Underwriter support
  - Supply and demand dynamics
  - Rating agency impacts
  - Impact of new loan structures
- Issuer history
  - Relative value vs. other securities in the industry
  - Regulatory



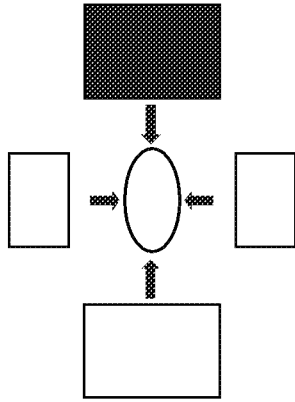
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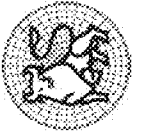
# Seneca Capital Management LLC

## CDO Investment Process

### Portfolio Management



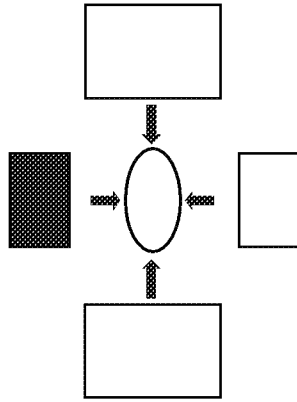
- **Credit Review:**
  - Regularly scheduled formal meetings with all fixed income professionals:
    - Daily meetings at 7:00 a.m. to discuss market activity and recent events
    - Weekly meetings for in-depth discussion of credit in all portfolios
- **Credit Risk Analysis:**
  - Credit risk potential
  - Highest yielding issues
  - Defaulted securities
  - Sale decisions for credit risk securities
- **Top-Down Analysis:**
  - Macroeconomic growth/trends
  - Interest rate environment
  - Regional economics
  - Home affordability
  - HPA
- **Indenture:**
  - Develop portfolio parameters
  - Manage within rules for trading



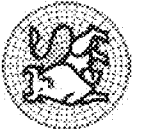
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## Seneca Capital Management LLC CDO Investment Process

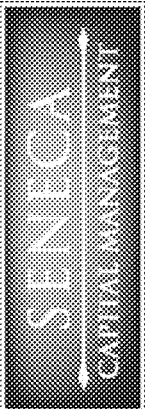
### Trading



- **Trading's Role:**
  - Monitor "flow of funds"
  - Coordinate with underwriters on upcoming new issues
  - Evaluate relative value compared to other debt of the same issuer as well a other issuers in the same industry
  - Assess liquidity of an issue based on how well it is syndicating or trading
  - Best execution on assets
  - Assess likely investor reception to new asset structures/products
  - Liability pricing information/analysis

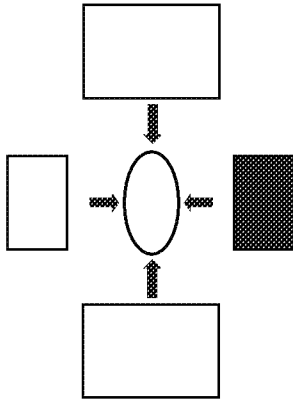


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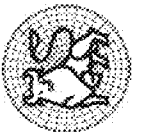


## Seneca Capital Management LLC CDO Investment Process

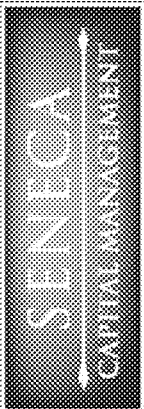
### Collateral Administration



- **Collateral Administration:**
  - Active Indenture compliance monitoring via Seneca's in-house system coupled with trustee reporting
  - Use Intex as third party portfolio management software in addition to proprietary systems
  - Cash reporting and cash management
  - Stress testing of the structure using asset-by-asset cash flow projections
  - Generate internal and external reporting
  - Verify each calculation on the trustee's monthly reports prior to delivery to investors



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# Seneca Capital Management LLC

## CDO Investment Process

### Example Investment Writeup

	AL	Rating (S/M)	CE	Sprd	AI Type
Grp 1	Conform	AAA/Aaa	19.60%		Actual/360
Grp 2r	non-con	AAA/Aaa	19.60		
M1	4.67(c)	AA/Aa1	16.40	1L+46	(all)
M2	4.59	AA/Aa2	13.60	49	
M3	4.55	AA-/Aa3	12.00	53	
M4	4.52	A+/A1	9.90	71	
M5	4.50	A/A2	8.15	75	
M6	4.49	A-/A3	7.05	80	

Group/Structure Notes: Y structure  
 OC Prefunded: Y

Settlement: corp

Legal Final Maturity: 2035

Clean Up Call: 10%

Pricing Speed:

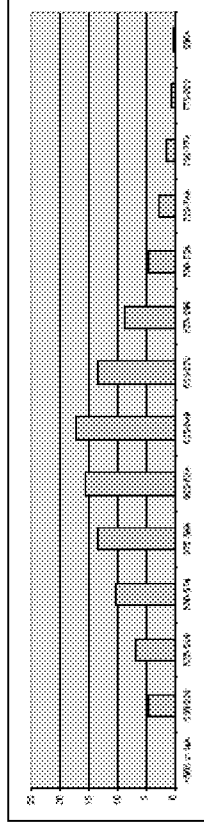
- Floating: 2CPR, 30CPR@t+12, 50CPR in 5 mo window, 35CPR@t+28 & thereafter
- Fixed: 4CPR, 20CPR@t+12 & thereafter

Largest Servicer (advance status): XXXX - required

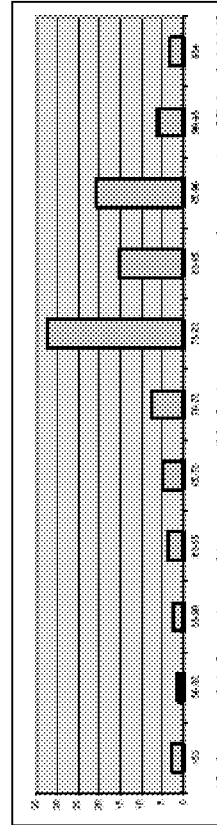
Master Servicer (if different):

Originator: XXXX

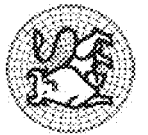
**WA FICO: 623**

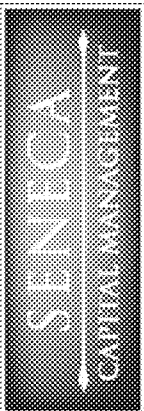


**WA OLTV: 80.5%**



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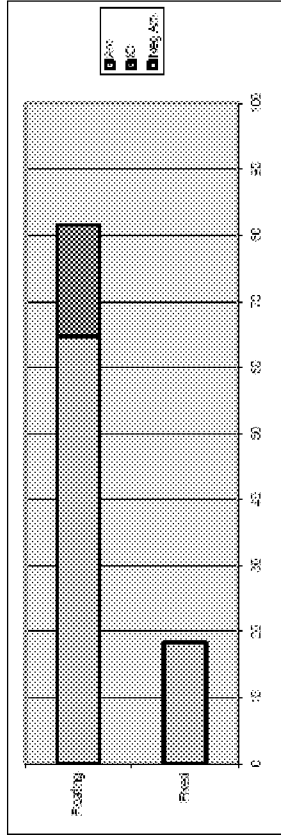
# Seneca Capital Management LLC

## CDO Investment Process

### Example Investment Writeup (cont.)

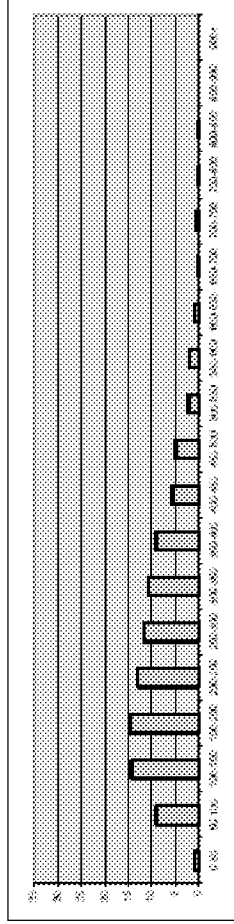
Geographics	CA	FL	NV	OH	IN	TX	L1	L2	L3	Other
	37.9%	7.5%	2.7%	1.4%	0.6%	3.0%			NY 6.2	

### Coupon Type:



WA Roll (months): 24 (floating only)  
 OOC: 92%  
 Doc Type (Full/Limited/No): 49/5/56%  
 2nd Lien: 2%  
 WA Balance (current): \$187k

SF+ pud: 84%  
 Purpose (Pur/Refi/CO Refi): 32/8/60%  
 Mt: N



WAM (months): 355  
 WA Gross Cpn: 7.06%  
 PPP remaining (No/>12/12-24/25-36/37+): 29/3/53/15/0%

Gross Margin: 5.63%  
 HOEPA Loans: 0%

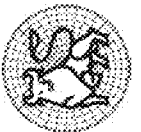
Step: 3/08&2x CE&OC>6.4%

Triggers: 60D:40% of CE

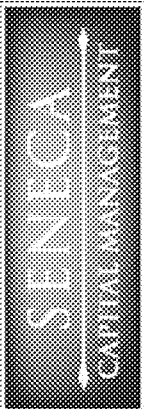
CumLoss: 3.00->7.00%

### Notes/Comments:

- + Low IO%
- + lack of mo ave. 60D trigger
- + larger CE
- purchase %
- FICO distribution
- LTV

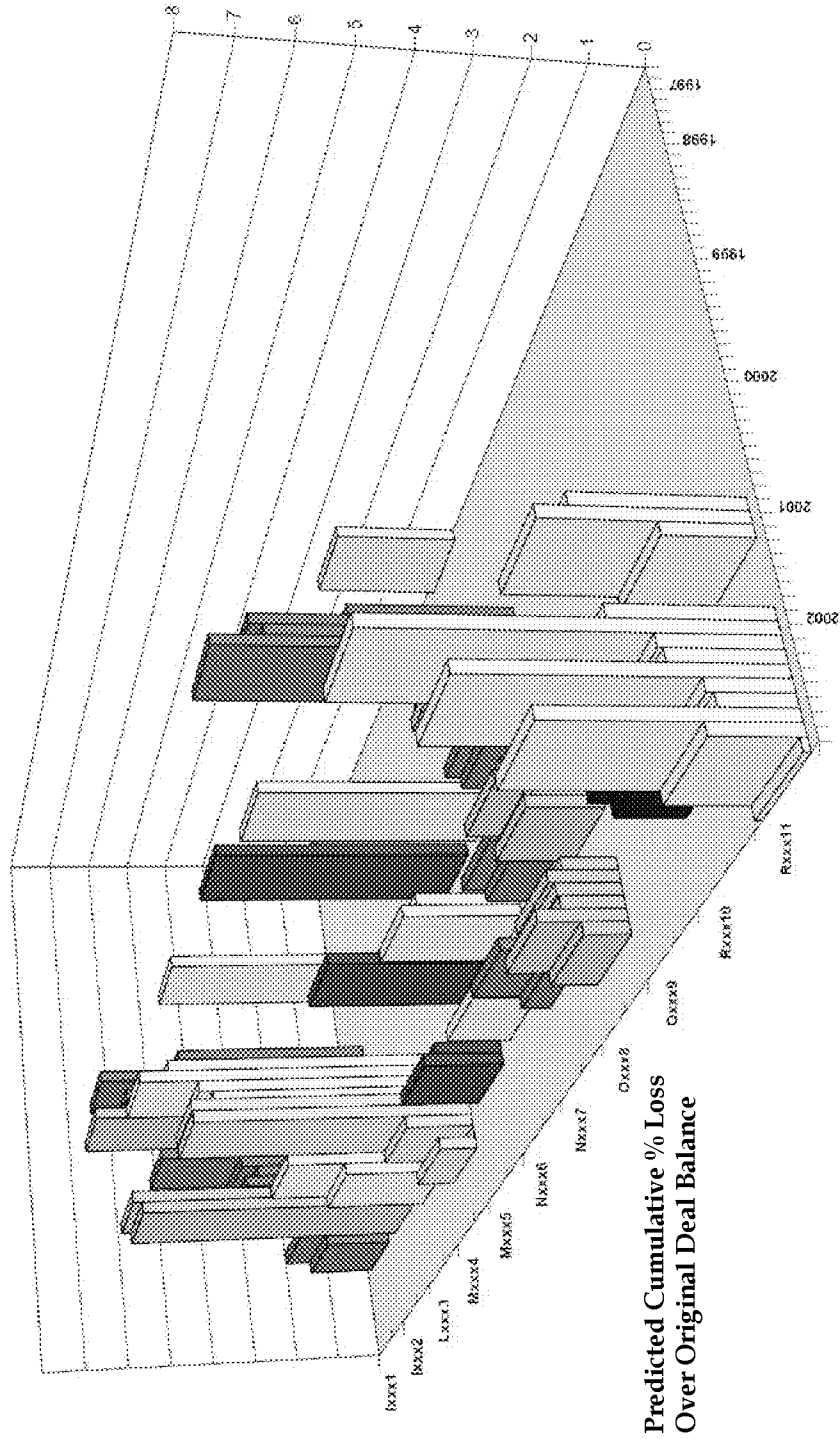


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# Seneca Capital Management LLC CDO Investment Process

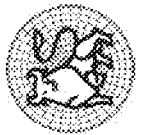
## Collateral Administration Deal/Issuer Shelf Level Surveillance Process Example



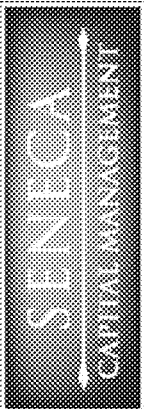
Predicted Cumulative % Loss Over Original Deal Balance

1997 1998 1999 2000 2001 2002

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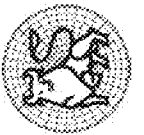


# Seneca Capital Management LLC

## CDO Investment Process

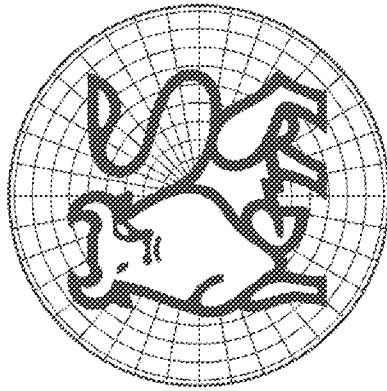
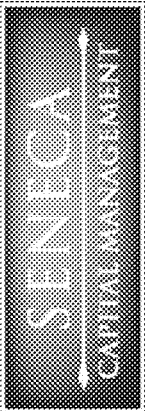
### Tranche Level Surveillance Tracking Example

Amort	IO	Neg Amort	# Mos Reset	# Mos lo Period	Excess Spread	Current Excess Int	Delinq 30-59	Delinq 60-89	Delinq 90+	Foreclosures	REO	Cum Loss %	Credit Enhmt	Cur Balance \$	Current SubAmt	OC Actual
89.3%	10.7%		19.4	53.2	2.48%	2,112,900	1.45	0.41	0.25	1.42	0.02	0	16.82%	1,023,489,839	154,200,000	18,000,000
77.9%	22.1%		23.6	35.4	2.67%	3,227,240	0.14	0	0	0	0	0	21.44%	1,450,543,540	298,541,000	12,408,798
71.5%	28.5%		23.6	48.3	2.92%	1,124,478	1.38	0.01	0	0	0	0	16.60%	462,068,404	65,086,000	11,597,720
79.0%	21.0%		31.1	38.1	1.82%	3,253,330	0.09	0	0	0	0	0	7.77%	2,142,744,961	166,515,000	-
76.4%	23.6%		20.9	46.1	1.95%	1,211,744	2.73	0.35	0.02	0.06	0	0	8.15%	745,438,702	57,200,000	3,571,814
72.1%	27.9%		29.4	32.5	2.82%	3,926,596	0.72	0.08	0	0.08	0	0	8.63%	1,669,401,595	128,350,100	15,685,643
87.0%	13.0%		22.8	51.3	2.86%	2,321,020	1.45	0.28	0.02	0.02	0	0	13.33%	973,812,213	123,558,000	6,223,849
36.9%	63.1%		27.1	56.9	2.37%	2,142,689	0	0.38	0	0	0	0	15.85%	1,085,939,224	145,633,000	26,478,532
68.6%	31.4%		21.6	54.5	2.41%	1,458,685	6.71	1.55	1.92	0	0	0	15.13%	727,055,160	89,746,000	20,291,278
100.0%			21.4		4.01%	2,530,137	3.3	1.49	0.93	0.08	0	0	9.84%	757,388,898	55,151,000	19,365,978
80.2%	19.8%		23.9	24.1	2.36%	3,761,730	3.09	0.91	0	0	0	0	14.94%	1,914,472,937	256,000,000	30,000,100
100.0%			26.3		2.68%	5,314,709	0	0.01	0	0	0	0	10.30%	2,376,942,539	213,600,000	31,200,035
97.3%	2.7%		30.0	58.7	12.98%	1,880,807	0.11	0	0	0	0	0	68.37%	173,858,473	118,875,000	-



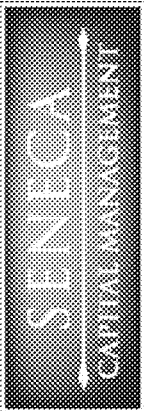
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## C. Biographies

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



## Senior Management and Fixed Income Investment Team

### **Al Alaimo, CFA, CPA**

#### *Fixed Income Portfolio Manager & Director of Research*

- Primary focus: high yield, media, printing, packaging, consumer products, food and restaurants
- Previous experience: Managing Director, Banc of America Securities LLC, Institutional Investor-ranked analyst in high yield research
- Education: BS, accounting and finance, Syracuse University, MBA, finance, William E. Simon Graduate School of Business Administration, University of Rochester
- Member, Security Analysts Society of San Francisco
- Joined Seneca 2001, investment experience: 21 years

### **Samuel M. Austin**

#### *Senior Portfolio Advisor*

- Responsible for developing and managing institutional client relationships, specializing in public fund relationships. Senior member of investment strategy teams
- Previous experience: Principal, public fund business development, Barclays Global Investors, responsible for developing and maintaining relationships with U.S. institutional clients; Principal, Bankers Trust Company. Served as product specialist and portfolio manager for quantitative equities, working closely with corporate, public fund, TaftHartley, endowment and foundation clients
- Education: BS, business, Boston University, cum laude; MBA, finance, Boston University; finance coursework, Sloan School of Management, MIT
- Joined Seneca 2003, investment experience: 18years

### **Robert L. Bishop, CFA**

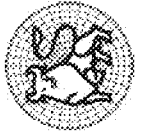
#### *Fixed Income Portfolio Manager & Trader*

- Primary focus: investment grade
- Previous experience: restructuring corporate pension funds, Salomon Brothers; quantitative portfolio design, Goldman Sachs; Director, corporate bond sales, Merrill Lynch
- Education: BA, economics, UCLA; MBA, finance, Kellogg School of Management, Northwestern University
- Joined Seneca 2002, investment experience: 27 years

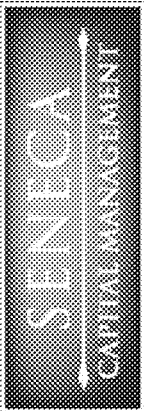
### **Maxwell E. Bublitz, CFA**

#### *Fixed Income Portfolio Manager*

- Primary focus: economic analysis, mortgage backed securities, structured securities
- Previous experience: President, CEO of Conesco Capital Management, which managed over \$40 billion of fixed income assets for insurance, institutional and retail clients; experienced with research trading and portfolio management for mortgage backed securities
- Education: MBA, investment and finance, University of Southern California
- Joined Seneca 2005, investment experience: 22 years



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## Senior Management and Fixed Income Investment Team

### **Pearl C. Chang**

#### ***Fixed Income Analyst***

- Primary focus: healthcare, gaming, lodging/leisure, consumer products, food, restaurants
- Previous experience: Senior Analyst, Creditsights; Director, Global Credit Research, Deutsche Bank; Vice President, Fixed Income Research, Lehman Brothers
- Education: BA, English, Princeton University; MBA, Stanford University
- Joined Seneca 2005, investment experience: 15 years

### **Andrew S. Chow, CFA**

#### ***Fixed Income Portfolio Manager***

- Primary focus: structured product
- Previous experience: managed a sizeable and highly ranked convertible bond fund of investment grade and high yield securities, ING Pilgrim; managed mortgage-backed portfolios and equity derivatives funds, Conseco Capital Management
- Education: BA, economics, University of California, Berkeley; MBA, Carnegie Mellon
- Other business interests: Senior Vice President, Luminant Mortgage Capital, Inc., a real estate investment trust, formed April 2003, managed and advised by Seneca Capital Management LLC
- Joined Seneca 2002, investment experience: 20 years

### **Drew D. Conrad**

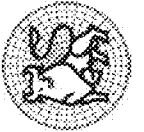
#### ***Fixed Income Trader***

- Trading, high yield group
- Previous experience: high yield analyst, AIG Global Investment Group; high yield trader, AIG Investment Management
- Joined Seneca 2006, investment experience: 5 years

### **Gladys Dinagiba, CFA**

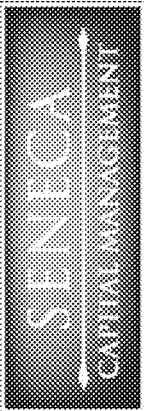
#### ***Fixed Income Quantitative Analyst***

- Primary focus: credit securities, structured products and risk management
- Previous experience: public finance, Stone & Youngberg
- Education: BA with distinction, University of California, Berkeley
- Joined Seneca 1999, investment experience: 9 years



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## Senior Management & Fixed Income Investment Team

### **Catherine G. Jaquet**

#### ***Fixed Income Analyst***

- Primary focus: energy, utilities, metals/ mining, sovereigns/ foreign governments
- Previous experience: emerging markets research analyst, Credit Suisse First Boston, New York
- Education: BS, economics, MS, economics and public policy, London School of Economics
- Joined Seneca 2000, investment experience: 12 years

### **Bradley M. Kane**

#### ***Fixed Income Analyst***

- Primary focus: bank loan management, gaming, lodging/leisure, retailers/supermarkets, transportation, aerospace/ defense
- Previous experience: Vice President at GSC Partners, formerly Greenwich Street Capital Partners, participated in development of CBO business, experience in distressed debt restructuring and private equity investing; Vice President, high yield mutual funds at Mitchell Hutchins Asset Management (a division of Painwebber)
- Education: BS, business and economics, Lehigh University
- Joined Seneca 2002, investment experience: 14 years

### **James Spencer Lee, CFA**

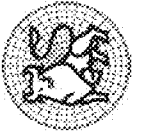
#### ***Fixed Income Trader***

- Areas of expertise: treasuries, U.S. government agencies, mortgages, corporates
- Previous experience: director of trading, SunTrust Robinson Humphrey; trader, First New York Securities Corp.
- Education: BA, Vanderbilt University
- Joined Seneca 2004, investment experience: 12 years

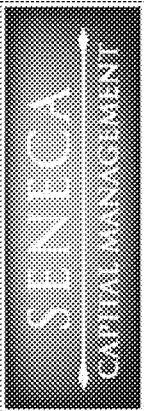
### **Laura Milner**

#### ***Fixed Income Portfolio Manager & Trader***

- Primary focus: municipals, short duration
- Previous experience: Senior Portfolio Manager, Wells Fargo Capital Management for 12 years; institutional sales at Salomon Smith Barney
- Education: University of Minnesota
- Member, Society of Municipal Analysts
- Joined Seneca 2000, investment experience: 25 years



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## Senior Management and Fixed Income Investment Team

### **Diane M. Spirandelli, CFA**

#### **Senior Portfolio Advisor - Executive Committee**

- Manages Seneca's private client group, senior member of investment strategy teams
- Previous experience: director and manager of private banking investment services at Bankers Trust and Swiss Bank Corporation; Vice President, Senior Portfolio Manager, Wells Fargo Bank, responsible for the San Francisco investment department, managing \$5 billion in client assets
- Education: Graduate, Oxford College of Technology, U.K.; Graduate, University of Washington, Pacific Coast Banking School 3-year advanced studies program
- Member, CFA Institute and Security Analysts of San Francisco
- Joined Seneca 1997, investment experience: 34 years

### **Patrick Wang, CPA**

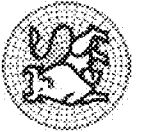
#### **Fixed Income Analyst**

- Primary focus: paper and forest products, cable and satellite television, wireline telecommunications, technology
- Previous experience: Vice President and Research Analyst, Banc of America Capital Management; Equity Research Associate Analyst, Credit Suisse First Boston; began career in public and private accounting
- Education: BS, Accounting/Computer Information Systems, University of Nevada, Reno; MBA, Logistics and Finance, University of Nevada, Reno
- CFA Level III Candidate
- Joined Seneca 2005, investment experience: 6 years

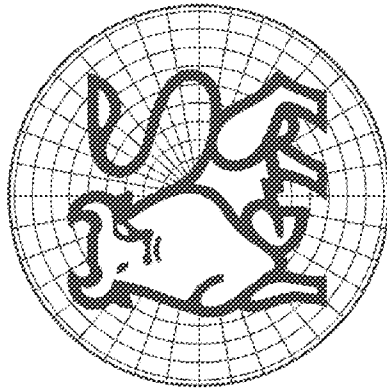
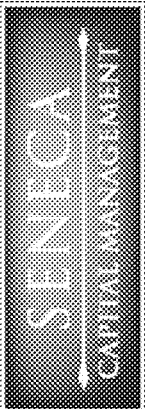
### **Thee Wong**

#### **Fixed Income Quantitative Analyst**

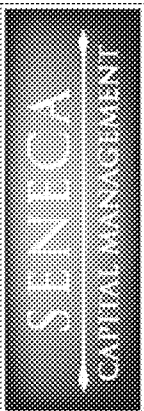
- Primary focus: mortgage-backed securities, structured products and risk management
- Previous experience: Analyst, Global Technology Group, Merrill Lynch
- Education: BA, Business Administration, University of California at Los Angeles
- Joined Seneca 2006, Investment experience: 1 year



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## VI. Tax Considerations



# Tax Considerations

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

## U.S. Federal Income Tax Considerations

THE STATEMENTS ABOUT U.S. FEDERAL INCOME 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.

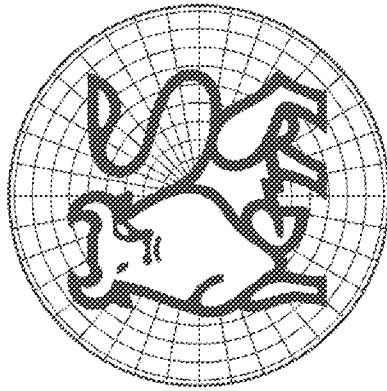
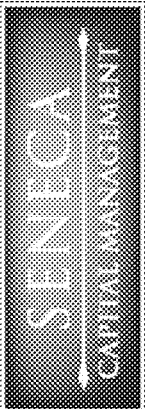
- Noteholders will be required to treat the Notes as debt for U.S. Federal income tax purposes. It is expected that the Class A Notes [will] and the Class B Notes [should] be treated as debt for U.S. Federal income tax purposes.<sup>(1)</sup>
- The issuer will treat all interest (including interest on accrued but unpaid interest) due on the Class C Notes, Class D Notes and Class E Notes as original issue discount ("OID") because it will not determine whether the likelihood of interest being deferred on the Class C Notes, Class D Notes and Class E Notes is remote. 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 any 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 additional 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 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 ("CFC") 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 shares. 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 any 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 generally 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. 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.

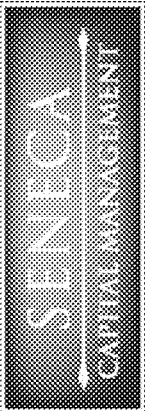


(1) This expected treatment is based on transaction numbers as of the date of this document and may be subject to change





# Appendix: Collateral Cashflow Formulas



## Appendix Collateral Cashflow Formulas

### Calculation of Collateral Defaults in each Period

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

where:

B = Beginning performing collateral balance (without 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 (without 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)

