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Vertical ABS CDO 2007-1, Ltd.

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January 2007

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With the exception of the Collateral Manager sections (i.e. Sections 4 and Appendix A) or unless otherwise stated the information provided in this document has been prepared by UBS AG.

SECTION 1

Transaction Summary

Summary of Terms

Issuer:	Vertical ABS CDO 2007-1, Ltd.
Collateral Manager:	Vertical Capital LLC
Placement Agent:	UBS Securities, LLC
Transaction Type:	Mezzanine Cash Flow ABS CDO
Composition Type:	[80%] CDS of ABS/RMBS/CMBS Securities, [20%] ABS/RMBS/CMBS/CDO Securities
Closing Date:	[TBD], 2007
Closing Portfolio:	[90]% of the assets are expected to be purchased (or committed for purchase) by the Closing Date
Ramp-up Period:	The Collateral Manager will have [90] days after the Closing Date to acquire any remaining portion of the portfolio
Reinvestment Period:	4 Years
Discretionary Trading:	[15%] per Annum
Optional Redemption:	On or after [4] years at the direction of a majority of the Preference Shares holders
Auction Call:	On or after [8] years, subject to sufficient funds being available to redeem the rated Notes and pay the Preference Shares at least the greater of (a) a [0%] return and (b) the Preference Share Balance
Notes Acceleration Date:	On or after [8] years, if the Notes are not redeemed by means of an Auction Call, any Notes outstanding will be repaid sequentially, both with principal proceeds and excess interest (otherwise applied to pay to the Subordinate Management Fee and the Preference Shares)
Legal Final Maturity:	[40] Years
Payment Dates:	Quarterly
Payment Structure:	Interest is paid sequentially to classes in order of seniority. Principal is paid pro rata to the rated notes unless there is a breach of a test or the collateral balance is less than 50% of the original collateral balance, in which case principal payments will be made sequentially
Trustee:	[TBD]

Transaction Summary

- ◆ Vertical ABS CDO 2007-1, Ltd. (the “Issuer”) will be a newly formed, special purpose, limited liability entity incorporated under the laws of the Cayman Islands and will issue the securities. Vertical ABS CDO 2007-1, Corp. (the “Co-Issuer”) will be a newly formed, special purpose, limited liability entity incorporated under the laws of the State of Delaware and will co-issue the securities that receive a should be or will be debt for tax purposes opinion.
- ◆ Vertical Capital LLC (“Vertical”), will select and manage the assets of Vertical ABS CDO 2007-1, Ltd. leveraging on the experience of its investment officers in the US structured finance market
- ◆ The proposed transaction is a cash flow CDO transaction (the “Transaction”). Discretionary trading of the Collateral will be limited to [15]% per annum
- ◆ At the conclusion of the [fourth] year, a majority of the preference share holders will have the right to call the Notes
- ◆ The final portfolio of Collateral is expected to have a Weighted Average Rating of [470] or approximately “Baa2/Baa3” by Moody’s
- ◆ 100% of the Collateral is expected to be acquired within [90] days after the Closing Date
- ◆ 90% of the Collateral will be sourced via the ABS CDS market. This market has allowed Vertical to ramp the portfolio using assets it deems as best of vintage without being limited to the new issue pipeline

Transaction Summary

Projected Portfolio Asset Allocation (Weighted by Principal Value):

	AAA	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	Total
Resi A										0.0%
Resi B & C/HEL					2.0%			3.0%		5.0%
CDS on CDO					3.0%	6.0%		1.0%		10.0%
CDS on Resi B & C/HEL						50.0%	35.0%			85.0%
Total	0.0%	0.0%	0.0%	0.0%	5.0%	56.0%	35.0%	4.0%	0.0%	100.0%

Transaction Summary

Collateral Eligibility Criteria and Concentration Limits

Collateral Eligibility Criteria ²	Investment Amount (%)	Concentration Limits by ABS Sector (%) ¹	Investment Amount (%)
Min Investment Grade at Purchase	[95]	Max Home Equity	[15]
Max Rating "BB+/Ba1" and below ^{1,2} (mortgage-related only)	[5]	Max Residential A mtge	[25]
Max Rating below "BB-/Ba3" ²	[0]	Max Residential B&C mtge	[100]
Max Rating below "A-/A3" ²	[100]	Max Residential A with NegAm rated below "Aa3/AA" ⁹	[0]
Max from Qualifying Foreign Countries ⁴	[5]	Max Residential A, Residential B&C, and Home Equity	[100]
Max from Emerging Markets	[0]	Max Securities other than RMBS and CMBS	[20]
Max Non-USD denominated	[0]	Max Manufactured Housing	[0]
Max servicer ranked "Above Average" or better ^{3, 3a}	[15]	Max Credit Cards (min "BBB/Baa2" – Prime only) ²	[2]
Max servicer ranked "Average" or better ³	[10]	Max Student Loan with DOE Guarantee	[5]
Max servicer ranked below "Average" ^{3, 3b}	[5]	Max Stud Loan w/out Guarantee ("AAA/Aaa" only) ²	[2]
Max Non-Mortgage servicer	[5]	Max CMBS	[5]
Max Single Issuer– "AAA/Aaa" to "AA-/Aa3" ^{2,9}	[2.0]	Max CMBS Conduit	[5]
Max Single Issuer– "A+/A1" to "A-/A3"	[1.5]	Max CMBS Large Loan	[5]
Max Single Issuer– "BBB+/Baa1" to "BBB/Baa2" ²	[1.33]	Max CMBS LL rated "Baa1/BBB+" to "Baa2/BBB"	[5]
Max Single Issuer– "BBB-/Baa3" ²	[1.0]	Max CMBS CTL & Single Property (min "Aaa/AAA") ²	[5]
Max Single Issuer– "BB+/Ba1 to BB-/Ba3" ²	[0.75]	Max Synthetic Securities	[100]
Min Number of Obligor (at Effective Date)	[100]	Max Equipment Lease Securities (min "A/A2") ²	[0]
Max Fixed Rate Securities	[0]	Max Equipment Lease Securities per Issuer	[0]
Max Floating Rate Cash Securities	[20]	Max Insurance Company Guaranteed Securities	[0]
Max Hybrid Securities	[0]	Max Minority ABS (min "BBB-/Baa3") ¹³	[2]
Max Downgraded / Neg Watch Securities ^{2,6}	[2]	Max Minority ABS per asset class (min "BBB-/Baa3") ⁵	[2]
Restricted Asset Classes ⁷	[0]	Max Auto (Prime Only, min "BBB/Baa2") ²	[0]
Max Timeshare (min rating "BBB/Baa2")	[2]	Max Car Rental (min "BBB/Baa2") ²	[0]
Max REIT	[5]	Max Interest Only Securities (invested amount)	[0]
Max PIK-able Securities	[20]	Max ABS NIM	[2]
Max Discretionary Trading Per Annum	[15]		

Transaction Summary

Collateral Eligibility Criteria and Concentration Limits

CDO Eligibility Criteria (% unless specified) ²	Minimum /Maximum		Minimum /Maximum
Max CDO Securities	[10]	Max Issuer Concentration CDO	[1.0]
Max ABS/RMBS/CMBS CDO Securities	[10]	Max CDO Manager Concentration	[2.5]
Max Corp IG CDO Securities	[0]	Max SF CDO / CLO rated "A1/A+" and below ²	[10]
Max Synthetic CDO Securities	[10]	Max CDO managed by Vertical	[0]
Max CDO of CDO Securities	[5]	Max Bank Trust Pref CDO Securities (min "Aa/AA") ²	[0]
Max CLO Securities	[0]	Max Insurance Trust Pref CDO Securities	[0]
Max HY CDO Securities (min "Aaa/AAA") ²	[0]		

Collateral Quality Tests	Targeted	Minimum / Maximum		Targeted	Minimum / Maximum
WA Moody's Rating Factor	[465]	Max [500]	WA Floating Spread (%)	[1.90]	Min [1.65]
Moody's Asset Correlation ⁸	[21]	Max [23]	WA CDS Premium (bps)	[2.85]	Min [2.60]
WA Life (years)	[5.5]	Max [6.5]			

- For the purposes of OC calculations: All collateral with an S&P rating below BBB- and at least BB- or a Moody's rating below Baa3 and at least Ba3 in excess of [10]% of the portfolio shall be haircut [10]%. All collateral with an S&P rating below BB- and at least B- or a Moody's rating below Ba3 and at least B3 shall be haircut [30]%. All collateral with an S&P rating below B- or a Moody's rating below B3 shall be haircut [50]%
- Ratings limits refer to the S&P rating, Moody's rating, or Fitch equivalent. Please note there will be one exception for the BBB+/BBB limit to 2.0%
- Servicer Limits refer to S&P ranking. (a) [two] exceptions allowed up to max [25]% each; (b) must have an Outlook of "Stable" or better;
- Eligible Countries only – Australia, Canada, France, Germany, Ireland, The Netherlands, The Netherlands Antilles, New Zealand, Sweden, Switzerland, United Kingdom, United States – provided, however, that such country has a foreign currency issuer credit rating of at least "AA" by S&P
- Minority ABS is defined as ABS other than Majority ABS. Majority ABS includes the following Specified Types: ABS CDO, Autos, Car Rental Securities, CLO, CMBS, Credit Cards, Equipment Leases, Home Equity, HY CDO, IG CDOs, REITs, Resi A, Resi B&C, Student Loan and Timeshare Securities
- Bonds that have been downgraded since purchase, or bonds that have been downgraded since issuance prior to purchase, or bonds that are on negative watch at or after time of purchase; bonds are ineligible if (a) have been downgraded more than [three] notches from rating at issuance by S&P, (b) have been downgraded more than once by S&P; or (c) have been downgraded prior to purchase or on negative watch and are rated "BB+" or below, or are rated "BBB-" but on negative watch by S&P
- Restricted Asset Classes: MH, Catastrophe Securities, Structured Settlement Secured with Future Legal Fees, Tobacco Securities, Mutual Fund Fee Securities, Aircraft Lease (including EETC), Convertible Bonds, Container Securities, Chassis Securities, Corporate Guaranteed Securities, Future Flow Receivables, Natural Resource Receivables, Healthcare Receivables, Lottery Receivables, and Restaurant and Food Service Receivables
- Moody's Rating will be based on the correlated binomial distribution that takes correlation, default probability, and the number of assets as inputs, rather than the binomial distribution that takes the diversity score and default probability as inputs. The target portfolio is expected to have a diversity score of about 21 after ramp-up.
- Subject to [one] exception

SECTION 2

Illustrative Capital Structure

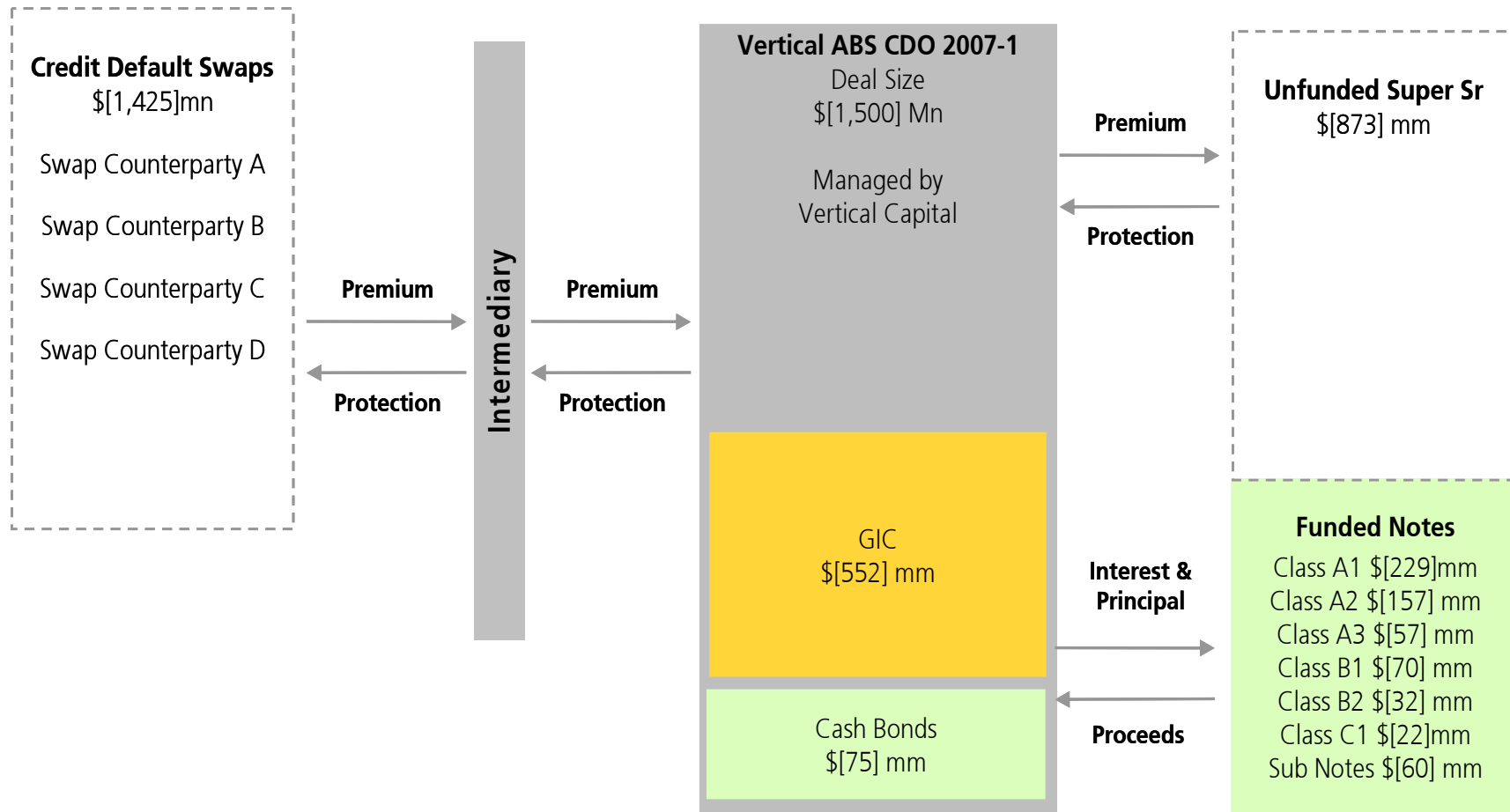
Capitalization

Securities	Moody's/S&P	Principal (US\$)	Subordination %	Coupon	Exp. Avg. Life ^{1, 2}	Exp Final	Legal Final	O/C min (%)
Super Sr. Unf	[Aaa/AAA]	[873,000,000]	[41.80]	[TBD]%	[6.6] years	[TBD], 2015	[TBD], 2047	[NA]
Class A1	[Aaa/AAA]	[229,000,000]	[26.53]	3ML + [TBD]%	[6.7] years	[TBD], 2015	[TBD], 2047	[NA]
Class A2	[Aa2/AA]	[157,000,000]	[16.07]	3ML + [TBD]%	[6.7] years	[TBD], 2015	[TBD], 2047	[NA]
Class A3	[A2/A]	[57,000,000]	[12.27]	3ML + [TBD]%	[6.7] years	[TBD], 2015	[TBD], 2047	[NA]
Class B1	[Baa2/BBB]	[70,000,000]	[7.60]	3ML + [TBD]%	[6.2] years	[TBD], 2015	[TBD], 2047	[NA]
Class B1	[Baa3/BBB-]	[32,000,000]	[5.47]	3ML + [TBD]%	[6.2] years	[TBD], 2015	[TBD], 2047	[103.0]
Class C1	[Ba2/BB]	[22,000,000]	[4.00]	3ML + [TBD]%	[6.7] years	[TBD], 2015	[TBD], 2047	[NA]
Pref Shares	[NR/NR]	[60,000,000]	[0.0]	Residual	[NA]	[TBD], 2015	[TBD], 2047	NA
TOTAL		[1,500,000,000]						

Notes:

- 1 Based on current market conditions and certain assumptions subject to risks and uncertainties which could cause actual results to differ materially from those stated
- 2 On and after the Note Acceleration Date, any interest cashflows due to the Preference Shares will be used to pay down the Notes in reverse order of seniority. During years 1-4 a 15% annualized coupon to will be paid to Preference shares and then 3% annualized coupon will go to pay down class B1 and Class B2 Notes on a Pro rata basis. Remaining flows will go to Preference shares
- 3 Calculated assuming the Notes are called in [TBD] 2015. At every payment date and after the Note Acceleration Date, the Notes will be called if proceeds from liquidation of collateral are sufficient to pay outstanding principal to all rated Notes and pay the preference shares the greater of (a) a [0]% return and (b) the Preference Shares Balance ("Auction Call")

Overview of Transaction



Sequential Tests

	Test	Description	Guideline (%)
Class B3	Principal ¹	$\frac{\text{Principal Balance}^2 \text{ of the Portfolio}}{\text{Principal Balance of Super Senior}^3, \text{ Class A1, Class A2, Class A3, and Class B1, B2}}$	$\geq [103.0]^4$

Notes:

- 1 For the purposes of OC calculations: All collateral with an S&P rating below BBB- and at least BB- in excess of [10]% of the portfolio shall be haircut [10]%. All collateral with an S&P rating below BB- and at least B- shall be haircut [30]%. All collateral with an S&P rating below B- shall be haircut [50]%
- 2 Principal Balance of the Portfolio includes the Notional Amount of the CDS
- 3 Principal Balance of Super Senior includes both funded and unfunded balance
- 4 The sequential test trigger will go to 100% after year 3 of the transaction

Cash Flow "Interest Waterfall"

On any Payment Date, interest proceeds will be distributed as follows:

- i. Trustee, Administrative Expenses, and Senior Management Fees
- ii. Senior Payments to the CDS counterparty, TRS Counterparty and Hedge Counterparty
- iii. Interest due to the Class A1S Notes
- iv. Interest due to the Class A1J Notes
- v. Interest due to the Class A2 Notes
- vi. Interest due to the Class A3 Notes
- vii. Interest due to the Class B1 Notes
- viii. Interest due to the Class B2 Notes
- ix. Interest due to the Class C1 Notes
- x. Junior Management Fees
- xi. Subordinated Payments to the CDS counterparty, TRS Counterparty and Hedge Counterparty
- xii. To the Subordinated Trustee and Administration Expenses
- xiii. After the Auction Date, to the payment of principal first Pro Rata to the Class B1, Class B2 and Class C1 Notes, second to the Class A3 Notes, third to the Class A2 Notes, fourth to the A1J Notes and fifth to the reduction of the Class A1S Notes until paid in full
- xiv. During 1-4 of the transaction to Preference shareholders to an annualized coupon of 15%
- xv. During years 1-4 of the transaction to pay principal on Class B1 and Class B2 notes on a Pro rata basis up to a 3% annualized original notional
- xvi. The remaining will go to the preference shareholders

Cash Flow "Principal Waterfall"

On any Payment Date, principal proceeds will be distributed as follows:

- i. The Amounts referred to in clauses (i) through (v) of the Interest Cash Flow Waterfall to the extent not already paid by Interest Proceeds
- ii. During the reinvestment period, toward the purchase of additional collateral
- iii. After the end of the reinvestment period but prior to the Auction Call Date, to the Pro Rata reduction of the Class A1S Notes and principal payments to the Funded Rated Notes, provided that no Sequential Test has ever been breached, until [50]% of the original Reference Portfolio Principal is paid down. Then sequentially to the reduction of the Class A1S Notes, the Class A1J Notes, the Class A2 Notes, the Class A3 Notes, the Class B1 Notes, the Class B2 Notes, and then the Class C1 Notes.
- iv. To the Junior Management Fee
- v. Any unpaid interest due (to the extent not paid by Interest Proceeds) sequentially to the Class A3 Notes, the Class B1 Notes, the Class B2 Notes, and the Class C1 Notes.
- vi. Subordinated payments to CDS Counterparty, TRS Counterparty and Hedge Counterparty
- vii. To the Subordinated Trustee and Administration expenses
- viii. The remaining will go to preference shareholders

Term of Credit Default Swaps

Terms	Description
CDS Type:	ISDA template for CDS on RMBS/CMBS
Interest Shortfall Cap:	Fixed Cap Applicable "Premium Squeezed to Zero"
Credit Events:	<ul style="list-style-type: none"> i) Failure to Pay Principal; ii) Writedown; iii) Distressed Ratings Downgrade
Settlement:	<ul style="list-style-type: none"> i) Cash Payment Equal to Principal Loss "Pay as You Go – PAUG" or ii) Physical Delivery

SECTION 3

Certain Hypothetical Illustrations

Disclaimer Regarding Hypothetical Illustrations and Related Assumptions

Included herein are certain hypothetical illustrations covering both (i) how LIBOR shifts and annual default rates may affect returns on Preference Shares and Securities comprising Preference Shares (if applicable) and (ii) a breakeven default analysis for all classes of Securities (the "Hypothetical Illustrations"). The Hypothetical Illustrations set forth herein are presented on a hypothetical basis for illustrative purposes only and are not intended to predict or project the future performance of the Securities. Consequently, the inclusion of the Hypothetical Illustrations herein should not be regarded as a representation by the Placement Agent, the Initial Purchaser, the Issuer, the Co-Issuer, the Collateral Manager or the Trustee or any of their respective affiliates or any other person or entity of the actual returns that will be achieved by the Issuer.

The sample returns achieved in the Hypothetical Illustrations are based on an extensive set of assumptions, some of which are described in the Section entitled Hypothetical Illustration Assumptions. Although certain assumptions are based on historical statistical information, such assumptions are not intended to predict or project actual results. Prospective purchasers should be aware that the realization of the assumptions underlying the Hypothetical Illustrations is subject to significant uncertainties and contingencies. Actual economic variables that impact returns will differ, and may differ materially, from those inputs set forth in the section entitled Hypothetical Illustration Assumptions. Some important factors that could cause actual results to differ materially from those set forth in the Hypothetical Illustrations include the actual composition of the portfolio of Collateral Debt Securities, changes in interest rates, the price of assets, the spread on assets, market, financial or legal uncertainties, changes in liquidity in the markets for Collateral Debt Securities, the timing and frequency of prepayments of, and defaults on, the Collateral Debt Securities (and the timing and rate of recovery of principal and interest following any such default), the availability of potential investment opportunities for the re-investment of proceeds, mismatches between the timing of accrual and receipt of collections in respect of the Collateral Debt Securities, the effectiveness of any hedging arrangements and errors in payment dates and other information derived from securities reporting services, among others. In particular, there can be no assurance that actual default or loss severity experience will not be worse than that reflected in the loss assumptions described herein. In particular, actual returns on Preference Shares and Securities comprising Preference Shares (if applicable) will differ, and may differ materially, from those illustrated returns presented in the Hypothetical Illustrations. The holders of Preference Shares (and Securities comprising Preference Shares, if applicable) are not entitled to a stated return on their investment (or with respect to the portion of the investment comprising Preference Shares, if applicable), and any investment in the Preference Shares and Securities comprising Preference Shares is subject to material risks, including loss of principal. See "Risk Factors" included herein.

None of the Placement Agent, the Initial Purchaser, Issuer, the Co-Issuer, the Collateral Manager or the Trustee or any of their affiliates make any representation as to the completeness of the range of the Hypothetical Illustration Assumptions, the materiality of any assumption to the actual return, the reasonableness of any assumption or the particular factors that may affect whether such assumptions are realized. Furthermore, no representation is made that such illustrations are accurate or complete or do not contain errors, or that alternative modeling techniques or assumptions would not be more appropriate or produce significantly different results. The Hypothetical Illustrations are provided to you on the understanding that, as a sophisticated institutional investor, you will understand and accept the inherent limitations of such illustrations, will not rely on them in making any investment decision with respect to any securities that may be issued, and will use them only for the purpose of discussing with the Initial Purchaser and/or Placement Agent in your preliminary interest in investing in a transaction of the type described. Prospective purchasers should make their own assumptions and consider how those assumptions may impact the returns on Preference Shares and the Hypothetical Illustrations set forth in the tables herein.

None of the Placement Agent, the Initial Purchaser, Issuer, the Co-Issuer, the Collateral Manager or the Trustee or their respective affiliates has any obligation to update or otherwise revise such assumptions, including any revisions to reflect changes in economic conditions or other circumstances arising after the date of such illustrations or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition. The information contained herein does not purport to contain all of the information that may be required to evaluate such securities and any recipient is encouraged to read the final offering circular and should conduct its own independent analysis of the data referred to herein. None of the Placement Agent, the Initial Purchaser, Issuer, the Co-Issuer, the Collateral Manager or the Trustee or any of their affiliates expects to update or otherwise revise the information contained herein except by means of the final offering circular. Additional information is available on request.

Description of Certain Hypothetical Illustration Assumptions

Each Collateral Debt Security is subject to an individualized prepayment assumption based upon current market factors. Prepayment assumptions related to each Collateral Debt Security are generally derived from marketing materials or other market data provided to the Collateral Manager in connection with the marketing of such security.

Default rates are expressed on a per annum basis and are applied to each Collateral Debt Security at a constant rate beginning on the 1st of each calendar month, beginning the calendar month following the Closing Date and continuing to the date set forth in the section entitled Hypothetical Illustration Assumptions. Default rates are based, in part, on the following studies from the rating agencies, which are updated and published from time to time: (i) Fitch Ratings, Global Rating Criteria for Collateralized Debt Obligations, (ii) Standard & Poor's, Principal Prepayment and Loss Behavior of Defaulted U.S. Structured Finance Securities, and (iii) Moody's Rating Services, Default & Loss Rates of Structured Finance Securities. No standardized statistical information exists with respect to the default rates for the type of securities represented by the pool of Collateral Debt Securities. While a number of articles and research reports have been written on historical default rates, there is no central source for relevant data or a standardized method for measuring default rates, and such general default studies may not accurately reflect the performance of securities that satisfy the criteria described herein with respect to the pool of Collateral Debt Securities. Furthermore, the historical performance of the applicable market is not necessarily indicative of its future performance. Neither the actual default rate nor the timing of the defaults can be predicted and the actual rate and timing may have a negative adverse effect on the return to the Securities. With respect to each Collateral Debt Security, a default occurring earlier in the life of such security will have a greater negative impact on the returns than if such default would occur later in the life of the security. Should increases in default rates occur with respect to the type of assets comprising the pool of Collateral Debt Securities for the transaction, the actual default rates of the pool of Collateral Debt Securities may exceed the hypothetical default rates set forth herein. None of the Placement Agent, the Initial Purchaser, Issuer, the Co-Issuer, the Collateral Manager or the Trustee or each of their affiliates disclaim any responsibility with respect to the accuracy of such reports and any obligation to provide such reports or updated reports in the future. PROSPECTIVE INVESTORS OF THE SECURITIES SHOULD CONSIDER AND DETERMINE FOR THEMSELVES THE LIKELY LEVEL OF DEFAULTS ON THE COLLATERAL DURING THE TERM OF THE SECURITIES.

The recovery rate is based upon the assumed liquidation value of each Collateral Debt Security immediately following a default. The recovery rates are based, in part, on the following studies from the rating agencies, which are updated and published from time to time: (i) Fitch Ratings, Global Rating Criteria for Collateralized Debt Obligations, (ii) Standard & Poor's, Principal Prepayment and Loss Behavior of Defaulted U.S. Structured Finance Securities, and (iii) Moody's Rating Services, Default & Loss Rates of Structured Finance Securities. Despite the foregoing, No standardized statistical information exists with respect to the recovery rates for the type of securities represented by the pool of Collateral Debt Securities. Neither the actual recovery rate nor the timing of such recovery can be predicted and the actual rate and timing may have a negative adverse effect on the return to the Securities. While a number of articles and research reports have been written on historical recovery rates, there is no central source for relevant data or a standardized method for measuring recovery rates, and such general studies may not accurately reflect the performance of securities, which satisfy the criteria described herein with respect to the pool of Collateral Debt Securities. Furthermore, the historical performance of the applicable market is not necessarily indicative of its future performance. Factors that may impact recovery rates include, but are not limited to, the credit quality of the issuer, the general economic conditions and market liquidity for instruments such as the pool of Collateral Debt Securities. None of the Placement Agent, the Initial Purchaser, Issuer, the Co-Issuer, the Collateral Manager or the Trustee or each of their affiliates disclaim any responsibility with respect to the accuracy of such reports and any obligation to provide such reports or updated reports in the future. PROSPECTIVE INVESTORS OF THE SECURITIES SHOULD CONSIDER AND DETERMINE FOR THEMSELVES THE LIKELY LEVEL OF RECOVERIES ON THE COLLATERAL DURING THE TERM OF THE SECURITIES.

Hypothetical Illustration Assumptions ^{1,2}

Collateral Assumptions

WA CDS Spread	285bps	CDS Price of Reference Asset	100.00
WA Floating Spread	LIBOR + 1.90%	Weighted Average Floating Price	85.95
WA Life	5.5 Years	Prepayment Assumptions	1x Market Prepay
WA Moody's Rating Factor	465 ("Baa2/Baa3")		
Default Timing	Beginning of every quarter starting immediately and continuing over 8 years		
Recovery Rate/Timing	50% of defaulted principal immediately		
CDS/Float	95% / 5%		

Transaction Assumptions

Super Senior	Unfunded – 18bps		
Coupon Assumption	Class A1J – 3mL+0.55%	Class A2 – 3mL+0.65%	Class A3 – 3mL+2.75%
	Class B1 – 3mL+5.75%	Class B2 – 3mL+7.50%	Class C1 – 3mL+7.50%
TRS Swap	3mL – 2bps	Intermediation fee	2 bps
PiK Prot Swap on Non- PiK Tranches	2bps		
Call Assumption	Notes are called in 8 years		
Closing Date	TBD 2007	Collateral Ramp-Up Period	90 days after Closing Date
Capital Structure	As set forth herein	Closing Date Collateral	Exp. 90%
Management Fee	10 bps p.a. Senior	3.75 bps p.a. Subordinate	
Annual Administrative Fees	4 basis points		

Interest Rate and Hedge Assumptions

3m LIBOR/2 yrs/ 5yr S/10yr S	5.35% first period, forward thereafter/ 5.37%/ 5.50%
Upfront Fee Financing	Principal and Interest for 1 st 6 years of transaction
Interest Rate Cap/Period/Strike	None

Notes:

- 1 Certain of the assumptions set forth above are based on historical statistical information and/or current market information. Such assumptions, however, are not intended to predict or project future economic results. Actual factors that will impact returns will differ, and may differ materially, from those set forth above. See Hypothetical Illustrations Assumptions
- 2 All assumptions are subject to change; final pricing terms will reflect the interest rate environment at pricing

Return and Sensitivity Analysis

Hypothetical Illustration of Default Rate Breakeven Analysis¹

	Annual CDR	Cumulative
Class A1J Notes Loss of Yield/First Dollar Loss (0% Yield)	13.5% / 22.7%	49.9% / 66.6%
Class A2 Notes Loss of Yield/First Dollar Loss (0% Yield)	7.5% / 11.9%	32.8% / 45.8%
Class A3 Notes Loss of Yield/First Dollar Loss (0% Yield)	5.4% / 7.2%	25.2% / 31.9%
Class B1 Notes Loss of Yield/First Dollar Loss (0% Yield)	3.3% / 5.3%	16.8% / 25.1%
Class B2 Notes Loss of Yield/First Dollar Loss (0% Yield)	2.5% / 3.5%	13.0% / 17.7%

Note:

- 1 Certain of the assumptions set forth above are based on historical statistical information and/or current market information. Such assumptions, however, are not intended to predict or project future economic results. Actual factors that will impact returns will differ, and may differ materially, from those set forth above. See Hypothetical Illustrations Assumptions

SECTION 4

Vertical Capital Investment Advisors

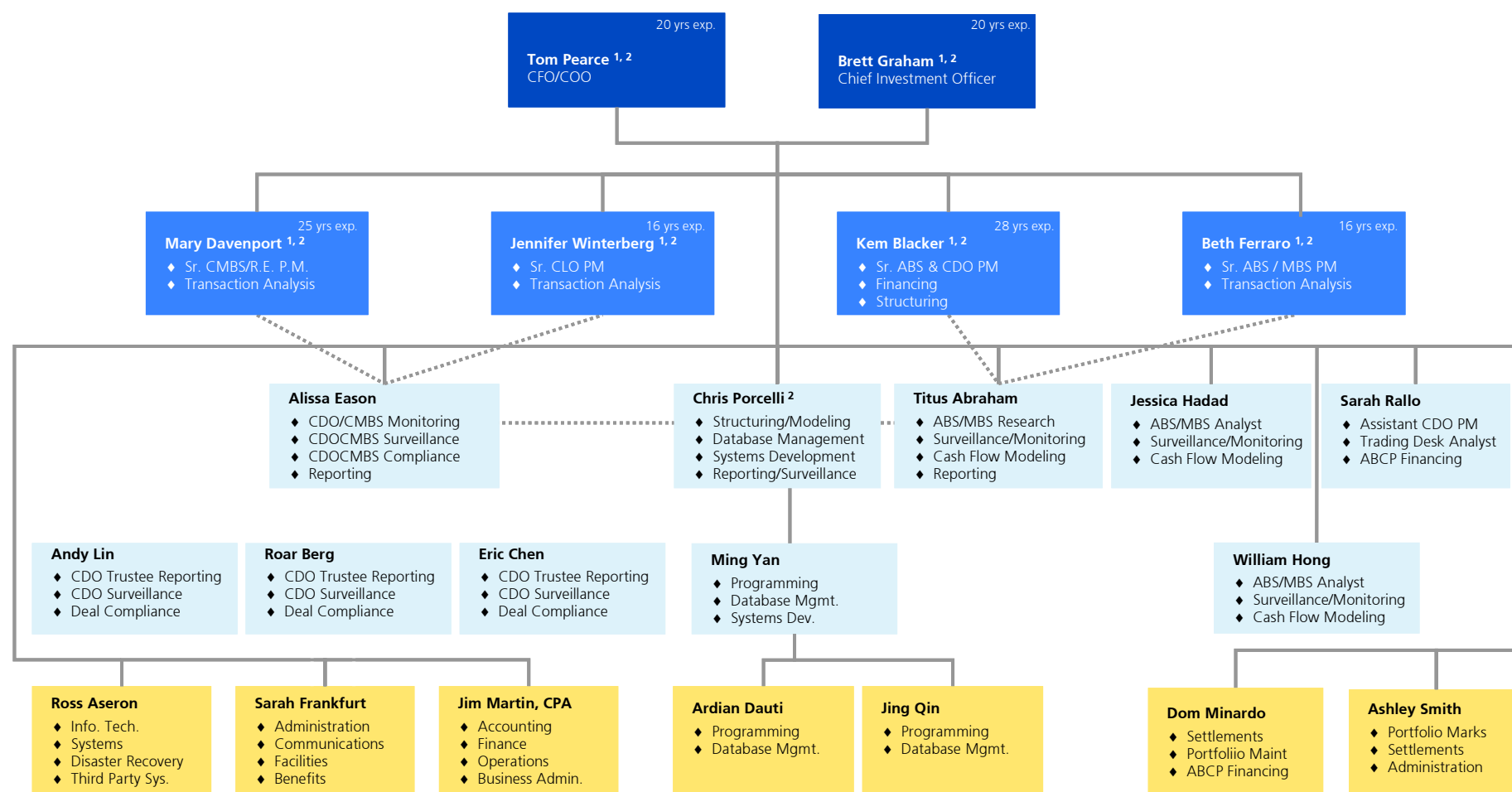
Vertical Capital, LLC

Background

- ◆ Vertical Capital, which began operations in December of 2002, is an asset manager dedicated to the structured finance securities markets with over \$10 billion in assets under management
- ◆ Vertical is owned 100% by its seven Principals, with an average of 21 years of industry experience
- ◆ On July 3, 2006, Management purchased the 48% stake in Vertical Capital formerly held by a subsidiary of Bank of America in an amicable transaction initiated by Management. The Company was originally formed via a strategic partnership with Bank of America who played an important role in the Company's formative stages
- ◆ Vertical has developed its own proprietary technology platform called STARS (Structuring, Trading, Analytics, Reporting and Surveillance) that is designed to facilitate credit analysis/asset selection and enable efficient reporting, monitoring and surveillance on both an asset specific and deal level basis
- ◆ To date, the Company manages all assets in CDO vehicles, having closed 11 CDOs comprised of structured finance securities. Structured Finance Securities (SFS) include collateralized debt obligations (CDO), asset-backed securities (ABS), residential mortgage-backed securities (RMBS) and commercial mortgage backed securities (CMBS)
- ◆ Current deals are performing well. To date, no classes in the CDOs managed by Vertical have been downgraded or placed on watch since issuance

Vertical Capital, LLC

Organizational Structure



Notes:

1 Investment Committee Member

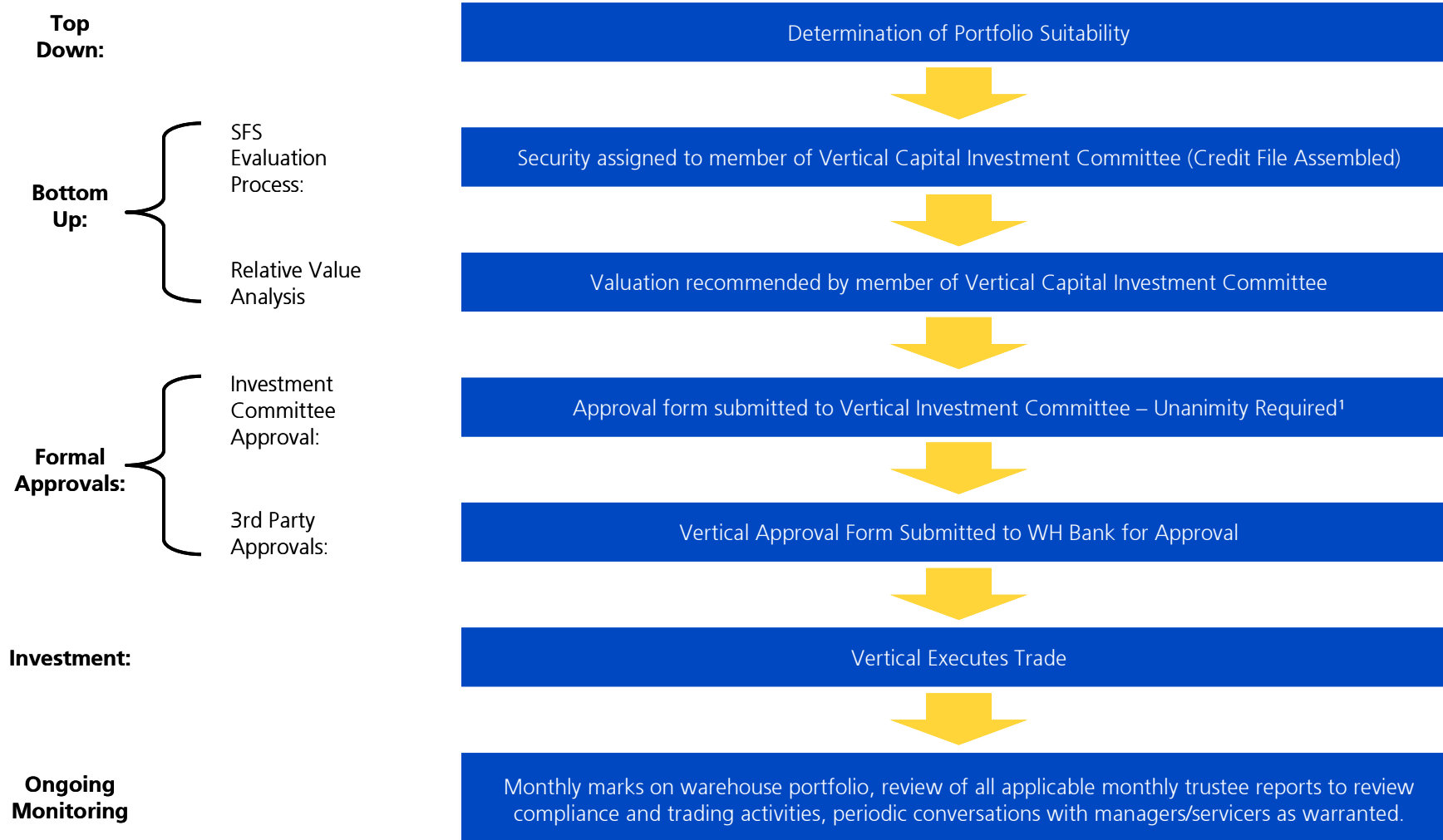
2 Principal

Vertical Capital, LLC—CDO Team

- ◆ Vertical's Senior CDO Management Team by sector consists of the following key individuals:
 - Brett Graham – Chief Investment Officer
 - Jennifer Winterberg (CDO's)
 - Beth Ferraro/Kem Blacker (ABS)
 - Mary Davenport (CMBS)
 - Brett Graham (Trust Preferred)
- ◆ Vertical's Investment Committee consists of six Principals with an average of 20 years of relevant ABS experience who combine diverse disciplines of the fixed income markets, including investment management, capital markets, syndicate, structuring, ratings advisory, trading, marketing and risk management. The Company believes that the following are Vertical's greatest strengths that give it a strategic advantage in the CDO marketplace:
 - The Partners
 - Breadth of experience/relationships
 - Proprietary technology platform
 - Prudent investment style
 - Disciplined approach to building the business
- ◆ We believe that our top-down, bottom-up approach combined with a relative value orientation separates us from many CDO Managers who are "indexing" the market

Vertical Capital, LLC—CDO Team

Investment Strategy–Approval Process for SFS Assets designated for a CDO Warehouse



Note:

1 Unanimity of all attendees present, minimum of 3 present including CIO. The Investment Committee is comprised of the 6 Partners in the business

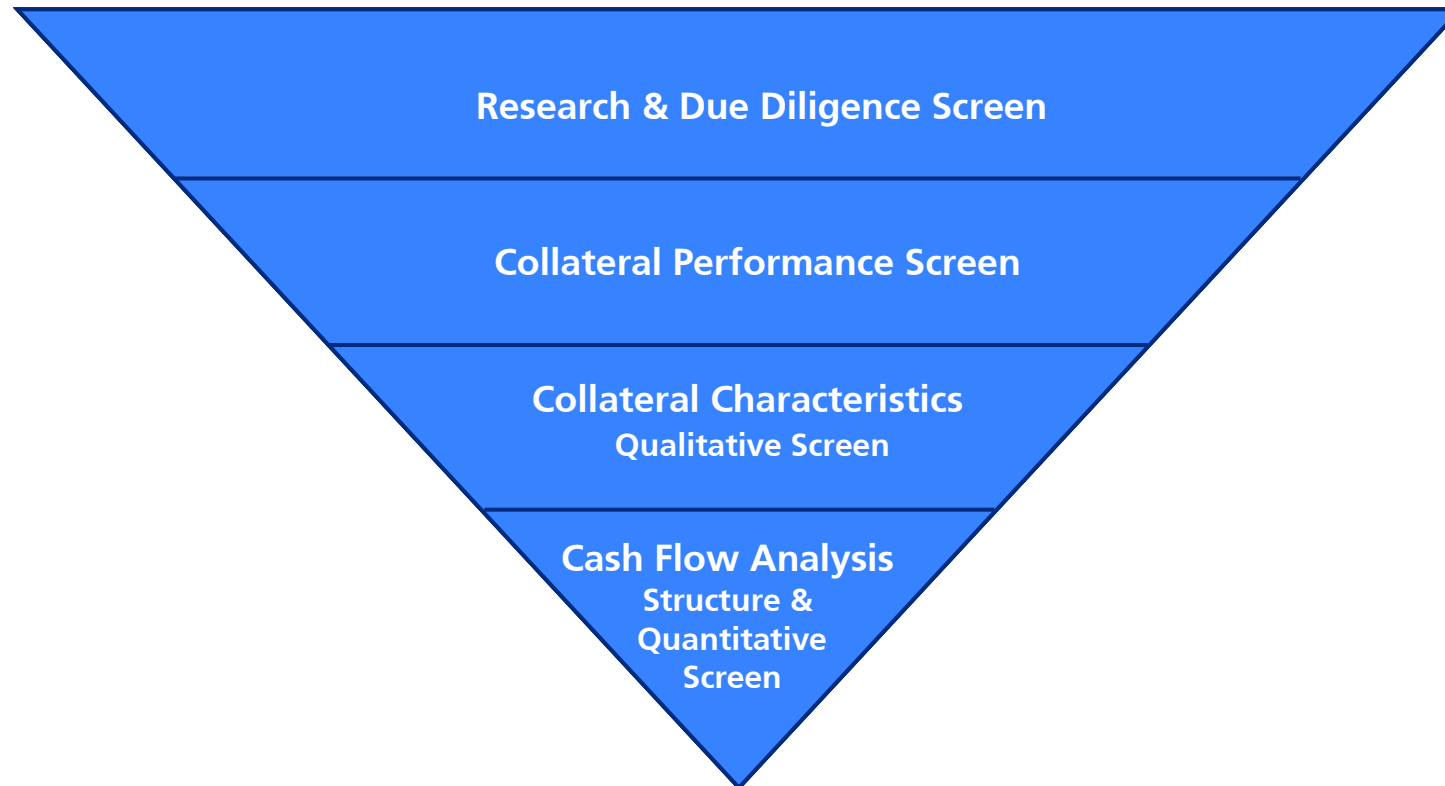
Vertical Capital, LLC – Credit Research

Monitoring

- ◆ Vertical currently monitors approximately 274 individual CDO transactions as well as the corresponding Managers. Vertical also monitors over 659 RMBS transactions as well as the financial condition of the corresponding Servicers. Additionally, the Company follows over 53 commercial real estate transactions as well as their underlying loan performance.
- ◆ Through the development of its STARS system, which is able to amalgamate data that is delivered electronically as it is made available, Vertical's portfolio managers/analysts are able to efficiently spend their time interpreting the information as opposed to entering the information.
- ◆ Each month the assigned portfolio manager receives an internally generated surveillance report which must be reviewed and requires a positive action either to maintain or adjust the Surveillance Level of each security (Levels 1-5). The Monitoring levels correspond to the following levels of assessed risk:
 - Level 1: Normal monitoring – deal exhibiting no stress.
 - Level 2: Heightened monitoring – deal may be exhibiting some stress, but security that we own is under no stress. This may also reflect simply heightened Manager-related issues.
 - Level 3: Watch List – deal exhibiting stress, and security we own may be subject to ratings review should collateral pool continue to deteriorate. We will report specifically on "Watch-Listed" portfolio items in our periodic letter to investors.
 - Level 4: Watch List Heightened – Security we own may have been downgraded or our own internal risk assessment is that the credit support has deteriorated.
 - Level 5: Watch List Extreme – Security that we own has been downgraded and may be at risk for further downgrade and/or par loss

Vertical Capital, LLC—Bespoke/CDS Selection Process

CDS Selection Process



Vertical Investment Committee Approval

Vertical Capital, LLC – Credit Research

ABS Research

- ◆ Issuers/Servicers
 - Maintain internal Tiering Scale based on:
 - 1. Corporate Overview
 - 2. Origination Process
 - 3. Servicer Strength
 - 4. Historical Performance
- ◆ Industry Trends
 - Consolidation/volume
- ◆ Structuring Trends
 - Rating Agency Models
 - Mortgage insurance (Deep MI)
 - Fixed rate loans in floating rate deals
 - Interest Rate hedging strategy for available funds caps
- ◆ Collateral Trends
 - Loan types, FICO, LTV, silent seconds, loan size, documentation, ownership, etc.

Vertical Capital, LLC – Credit Research

ABS Deal Analysis- New Issue or Secondary

- ◆ Issuer/Servicer/Trustee... Based on our internal Tiering
- ◆ Collateral Analysis
 - Not only averages, but...distributions as well – FICOs, LTVs
 - Stratifications on particular loan types – i.e., IO loans
 - Loan tape analysis/V.C. expected/stressed loss
 - Rating Agency loss cover levels
- ◆ Structure Analysis
 - Senior/sub
 - Deep MI
 - Available funds caps & related hedges (swaps, caps, cap corridors)
 - Step down trigger tests (hard vs. dynamic)
- ◆ Quantitative Analysis
 - Cash Flow simulations considering:
 - Interest rates, prepayment speeds, severities, constant default rates (CDR), Cum Loses, AFC loses.
- ◆ Relative Value

Vertical Capital, LLC – Credit Research

ABS Surveillance

Guiding Principles are inertia and pre-emption

- ◆ VC Monthly Summary Surveillance Reports
 - Compare like vintage deals.
 - Delinquency and loss data (cumulative and month-over-month)
 - Pipeline loss analysis
 - Excess Spread
 - Target O/C vs actual O/C
 - Prepays
 - Rating Agency loss cover levels/VC expected loss levels
- ◆ Surveillance Follow-up
 - Detailed one-page deal report with historical performance
 - Intex cash flows
 - Updated loan level analysis using Loan Performance
 - STARS database/monthly trustee reports
 - Calls with originators/servicers
 - Watch List and VC sell decisions
- ◆ VC Aged Reports
 - Status/cushion to DQ/loss triggers
 - Losses as a percent of expected (fitted to timing)

Vertical Capital, LLC – Credit Research

CDO Analysis

Manager Due Diligence

- ◆ Review Track Record
 - Growth of Assets Under Management (AUM), Return performance, default and distressed sales history, ratings migration
 - Review trustee reports of other CDO's they manage
- ◆ Understand Manager's Investment Style
 - Area of expertise, investment strategy, investment process, current view of collateral market
 - Review analysis of selected individual credits
 - Accessibility of manager to investors
- ◆ Evaluate Adequacy of Infrastructure
 - Analyst coverage, back office, operations, investor reporting
- ◆ Business Plan
 - Commitment to CDO business, internal performance measures, compensation of employees, employee ownership of deal or of company

Collateral

- ◆ Portfolio Composition
 - Asset composition strategy, availability of assets in target portfolio, overlap with other managed portfolios
- ◆ Collateral Analysis
 - Review purchase prices and recent marks, industry and sector concentrations
 - Select certain assets for more detail individual review

Vertical Capital, LLC – Credit Research

CDO Analysis

Structure Analysis

- ◆ Document Review
 - Read and understand offering memo, indenture, collateral manager agreement
 - Review hedge strategy, interest and principal waterfalls, key definitions, modification rules, removal and replacement of manager, events of default and remedies
- ◆ Cash Flow Analysis
 - Review sources and uses of cash at closing
 - Run multiple stress scenarios and/or Intex runs
- ◆ Rating Analysis
 - Determine how 'tight' a tranche is relative to its rating

Vertical Capital, LLC – Credit Research

CDO Surveillance

- ◆ Monthly Review of trustee report information
 - Vertical downloads all trustee reports and note valuation reports from the trustee websites.
 - The CDO surveillance analyst reviews key performance data (coverage tests, collateral quality tests and trading activity) and sends an e-mail summarizing this information to the portfolio managers.
 - Portfolio manager will analyze trustee report further and /or speak to collateral manager, if there are any changes in performance.
 - Portfolio managers are required to respond monthly surveillance e-mails by confirming the CDO's surveillance level. Failure to respond will result in repeated reminders.
 - Portfolio manager response will include an explanation of any deterioration in the CDO's performance metrics and any other relevant facts, such as expected paydowns, manager comments on individual credits or trading activity, etc..
 - Vertical maintains a history of performance data for all of its CDO's in an excel spreadsheet.

- ◆ Independent monitoring of CDO collateral
 - Vertical obtains monthly marks on the underlying collateral from the collateral managers on many of its CDOs.
 - Vertical's proprietary database enables it to monitor aggregate exposures to individual issuers across its CDO portfolios.

Vertical Capital, LLC – Credit Research

CMBS Research

Servicers

- ◆ Annual review of Master and Special Servicer rating agency rankings
- ◆ Annual review of company / parent company financial statements

Industry Trends

- ◆ Issuance
- ◆ Conduits versus Floating Rate transactions
- ◆ Pari Pasu note forms

Structuring Trends

- ◆ Rating Agency cash flow analyses
- ◆ Impact of sub-debt and debt held outside the securitization structure
- ◆ Terrorism Insurance legislation and requirements
- ◆ Natural Disaster Insurance Coverage requirements for flood and windstorm
- ◆ Servicing Agreements and Intercreditor Agreements

Collateral Trends

- ◆ MSA market and submarket rental rate and occupancy trends
- ◆ Performance statistics and recovery rates

Vertical Capital, LLC – Credit Research

CMBS Deal Analysis

Conduits

- ◆ Geographic diversity of the pool
- ◆ Property type distribution
- ◆ Focus on ten largest assets in pool
- ◆ Stress analysis on the Net Cash Flow for the properties to test weighted average loan to value ratios and debt service coverage ratios.
- ◆ Stress analysis on Net Cash Flow inclusive of sub-debt and debt held outside the Trust
- ◆ Review of bondholder rights under the Pooling and Servicing Agreement

Large Loan Floaters

- ◆ In-depth financial analysis of the collateral property operating statements and rent rolls
- ◆ Re-underwriting of the loan based upon adjusted cash flow analysis
- ◆ Stressed cash flow analysis, including sub-debt and debt held outside the Trust
- ◆ Projected cash flow analysis to estimate collateral value based upon re-underwriting adjustments
- ◆ Review of the third party reports and supporting documents pertaining to the collateral properties
- ◆ Review of the borrowing entity structures
- ◆ Bondholder rights provided in the Pooling and Servicing Agreement, Intercreditor Agreements and A/ B Note structure documents

Vertical Capital, LLC – Credit Research

CMBS Surveillance

Conduits

- ◆ Monthly review of the Trustee reports
- ◆ Monthly access to the Servicer websites to review borrower-submitted updated financial statements and Servicer property inspections
- ◆ Overall deal performance statistics versus other deals in the same vintage, including delinquencies and recovery rates

Large Loan Floaters

- ◆ Monthly review of the Trustee reports
- ◆ Monthly access to the Servicer websites to review borrower-submitted updated financial statements and Servicer property inspections
- ◆ Update of the property operations, including rent roll and lease renewals. Comparison of current operations to origination. Analysis of decreases in revenues or increases of expenses greater than 10%.
- ◆ Quarterly review of MSA and local real estate market performance

Vertical Capital, LLC

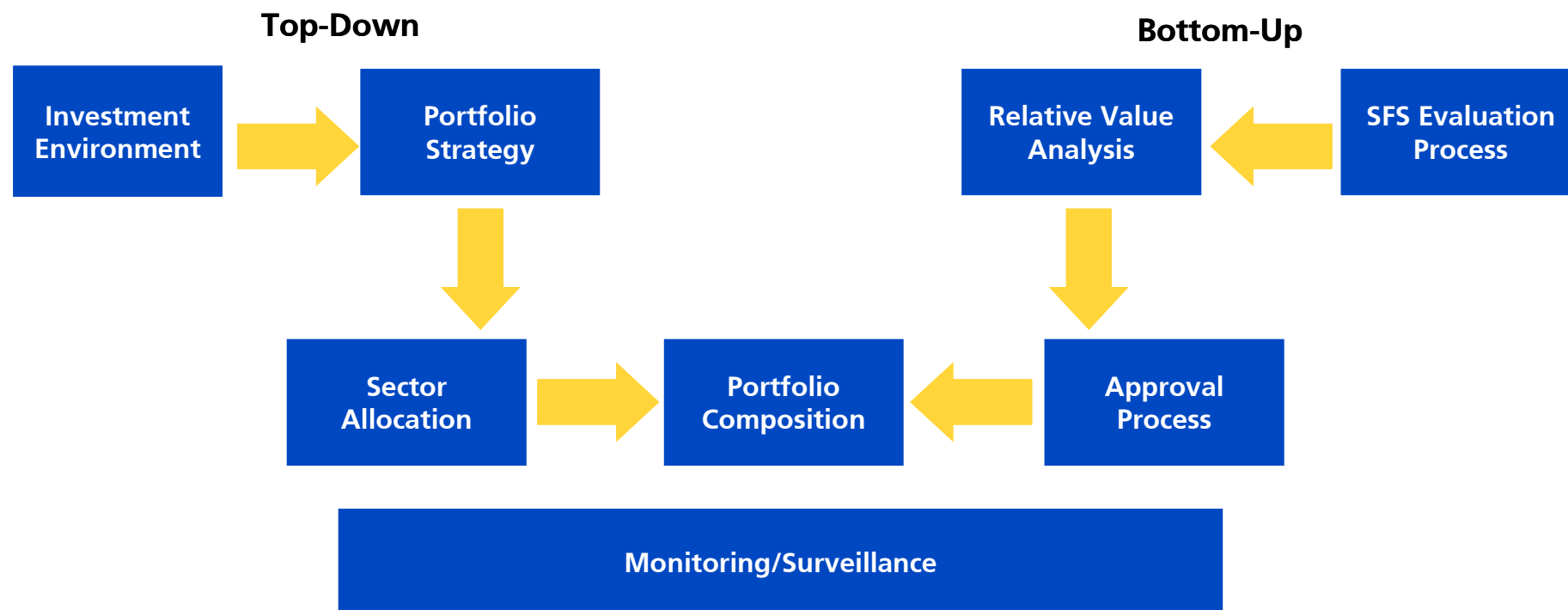
Philosophical Approach

- ◆ Vertical Capital was founded on the premise that the structured finance securities marketplace is an information-driven business and the products are not homogeneous
- ◆ Building a scalable business in the SFS markets requires a combination of personnel and technology as well as adoption of policies and procedures and streamlining of processes
- ◆ Commitment to transparency with investors (web-based, high-water mark reporting)
- ◆ In its security level analysis, Vertical seeks to get as close to the borrower/loan level as data permits and eschews actuarial analysis
- ◆ In each of its CDO vehicles, Vertical has expressed both a credit and relative value market view

Vertical Capital, LLC

Investment Approach

- ◆ Investment Strategy is devised from historical collateral performance, qualitative and quantitative analysis, portfolio monitoring, experience and relative value assessment



Vertical Capital, LLC

Active Sectors

- ♦ Vertical Capital is an active investor across the SFS markets from AAA – BB

Issued	Deal Name	Sector	Strategy
2003	Vertical CDO 2003-1	CDO^2	Create term funding for high grade CDO Portfolio, take advantage of secondary market illiquidity
2004	Vertical CDO 2004-1	CDO^2	Follow-on Transaction
	McKinley Funding	HG RMBS/CDO	ABCP funding, LCF AAA RMBS + A RMBS + CDO
2005	Vertical ABS CDO 2005-1	Mezz RMBS	Enhanced subordination due to changed RA methodology, Bat RMBS Relative Value
	McKinley Funding II	HG RMBS/CDO	Baal RMBS Relative Value
2006	Vertical ABS CDO 2006-1	Mezz RMBS	RMBS CDS Q4'05
	Vertical CRE 2006-1	CMBS	Large Loan CMBS + B-Note
	Vertical ABS CDO 2006-2	RMBS	95% overlap with ABS CDO 2006-1
	Pampelonne CDO I	HG RMBS/CDO	Predominately Synthetic HG Assets, attractive unfunded liabilities
	Vertical Virgo CDO I	Mezz RMBS	Reverse inquiry equity
	McKinley Funding III	HG RMBS/CDO	Static - Reverse inquiry equity

Vertical Capital, LLC—Support Systems

- ◆ Vertical obtains and manages the data used in its credit analysis from the following sources:

Data Feeds

- ◆ INTEX
- ◆ Bloomberg,
- ◆ Trustee Web Sites
- ◆ Co-Star
- ◆ Rating Agency Feeds

Product

- ◆ ABS/RMBS/CMBS/CDO
- ◆ ALL
- ◆ ALL
- ◆ CMBS
- ◆ ALL

Deal Materials

- ◆ Comp Materials,
- ◆ OM/OC
- ◆ Indenture,
- ◆ Note Valuation Reports
- ◆ Monthly Reports
- ◆ Remittance Reports
- ◆ Dealer Marks

- ◆ RMBS
- ◆ CDO/CLO/CBO/CMBS
- ◆ CDO/CLO/CBO
- ◆ CDO/CLO/CBO
- ◆ CDO/CLO/CBO
- ◆ RMBS/CMBS
- ◆ ALL

- ◆ Data feeds are imported automatically. Deal materials information is entered into the system manually

Vertical Capital, LLC—Support Systems

Vendor

- ◆ INTEX
- ◆ Bloomberg,
- ◆ Trustee Web Sites
- ◆ Co-Star
- ◆ Rating Agency Feeds
- ◆ Dealer Research

Product

- ◆ ABS/RMBS/CMBS/CDO
- ◆ ALL
- ◆ ALL
- ◆ CMBS
- ◆ ALL
- ◆ ALL

- ◆ Portfolio Management Systems:
 - STARS System
 - We utilize a proprietary application for portfolio management and surveillance. It consists of an Intranet front end and an MS-SQL server backend.
 - INTEX Net, INTEX Desktop & Bondstudio
 - Both Intex and Bondstudio are used for deal cash flow analysis during credit selection and monitoring.

Vertical Capital, LLC—Support Systems

Quality Control and Compliance Monitoring

- ◆ Trade Process
 - Each potential trade requires an approval form be created by the portfolio manager. This trade approval form is reviewed by the Chief Investment Officer and is submitted to the dealer for warehouse approval. Pending approval of both, the trade is executed by phone.
 - The portfolio manager sends an e-mail to the trading assistant who enters the trade into STARS. STARS then generates a Vertical trade ticket that is vetted by the portfolio manager. Upon trade settlement second analyst confirms the trade information, and adjusts the allocations (if necessary).
- ◆ Daily Trade Logs
 - At the end of each day, a trade log is produced for all deals currently in warehouse. This log is then reconciled with the dealers warehouse back office staff.
- ◆ Daily Portfolio Summary Reports
 - At the end of each day, each portfolio manager receives a portfolio summary report for each deal. This report includes all real positions outstanding, all hypothetical purchases remaining to purchase, the model portfolio characteristics, and summary analytics.
- ◆ Buy Axe Sheet
 - The system can produce at any time, a report outlining all hypothetical buys, across all deals. This enables the portfolio managers to more efficiently acquire collateral for multiple warehouses, since a single large allocation can be used to fill multiple warehouse buckets.

Vertical Capital, LLC—Support Systems

Quality Control and Compliance Monitoring

- ◆ CP Trading system
 - This spreadsheet allows us to track and reconcile our CP issuance facilities and reconcile trades with the trustee(s) and placement agent(s). Like all of our trading systems it has the ability to make hypothetical trades to check compliance
- ◆ STARS system
 - The STARS system tracks and reports on: assets under management, portfolio positions, deal compliance, real and hypothetical trades, and real and hypothetical collateral. It was developed in-house using visual development studio and MS-SQL server
- ◆ Quality control is derived directly from the system design principles which follow:
 - Data are only stored in one place (to avoid inconsistencies)
 - In technical terms, we maximally normalize our database tables. Practically, this means mistakes require correction in only one place
 - Data entered are checked against multiple sources, in a tiered manner
 - For example, CDO coupons are checked against Bloomberg, Intex and the Note Valuation reports. In addition, data are checked by queries for self consistency. Analysts are encouraged to check each others work

Vertical Capital, LLC—Support Systems

Quality Control and Compliance Monitoring

- ◆ Most of the system exists as data
 - Users can modify the system's behavior without calling in a programmer. This happens because the systems actual behavior is coded as data
- ◆ Trustee Surveillance
 - System is capable of producing all information/reports needed to monitor the Trustee's performance (e.g. portfolio breakouts, portfolio exposure details, Collateral Quality Tests, Eligibility Tests, OC/IC, etc.). System is also capable of testing hypothetical trades for compliance (this speeds up trading ability and acts as a double check on the Trustee)
- ◆ Rapid Prototyping
 - System is capable of producing accurate and useful data at all points in the system development lifecycle while also being scalable and well designed. All system components are prototyped in Excel before entering production

Vertical Capital, LLC

Technology Platform: RMBS Analysis

SASC 2006-BC3 Expected Case			
Collateral Portfolio	All Loans	IOs	
Total Number of Loans	7,143	1,485	
Total Loan Balance	\$ 1,366,434,268.98	\$ 425,740,368.65	
Average Loan Balance	191,297	286,694	
California	34.80%	53.54%	
Portf % with Prepay Penalties	22.16%	5.67%	
LTV			
WA CLTV (w Loud 2nds & w/o Silent 2nds)	81.92%	83.02%	
CLTV (w Loud 2nds & w/o Silent 2nds) > 90%	17.53%	10.45%	
CLTV (w Loud & Silent 2nds) > 90%	53.35%	70.93%	
FICO			
WA FICO	631.00	649.82	
FICO < 660	73.0%	66.7%	
FICO < 600	27.1%	8.9%	
FICO < 550	7.2%	1.6%	
Interest Rate			
% Fixed Rate	28.27%	5.63%	
% ARMs	71.73%	94.37%	
WAC	8.22%	7.92%	
WA Initial Rate Cap	2.85%	2.83%	
WA Rate Cap thereafter	1.05%	1.06%	
WA Margin	5.88%	5.88%	
WA Max Rate	14.63%	14.28%	
WA Min Rate	8.19%	7.94%	
IOs & Lien Position			
IOs (see IO terms below)	31.16%	100.00%	
MH	0.01%	0.00%	
1st Lien	95.97%	100.00%	
2nd Lien	4.03%	0.00%	
Property Type			
Single Family	69.77%	65.10%	
PUD	17.94%	20.55%	
Condo			
2-4 Family & Townhouse			
Other			
Occupancy Type			
Occupancy-Owner Occ	9		
Occupancy-Invr Prop			
Occupancy-Unidentified			
Occupancy-2nd Home			
Doc Type			
Full Doc	5		
Limited/Reduced Doc			
Stated Doc	4		
No Doc (NINA)			
Loan Purpose	4		
Purchase			
Refinance - Rate Term	4		
Refinance - Cashout			
Product Type			
Hybrid 5/35			
Other			
Hybrid 5/25 IO			
6 mo ARM			
Hybrid 5/25			
Hybrid 3/37			
ARM 5/1			
Hybrid 3/27 IO			
Fixed IO			
Hybrid 3/27			
Fixed Balloon			
Hybrid 2/38			
Fixed	2		
Hybrid 2/28 IO			
Hybrid 2/28	3		
IO Term			
IO term: 3yr			
IO term: 2yr			
IO term: 5yr	2		
IO term: 0	6		
1sts with silent 2nds (SSs) :			
% of Portfolio w/ SS			
\$ amount	\$ 523,781		
# of 1st Liens w/ SS			
CLTV of Total Portfolio (that includes silent 2nds)			

SASC 2006-BC3 Projected Loss Summary (Expected Case)			
Collateral Portfolio	Special	Percent	Dollar
Total Number of Loans		100.00%	7143
Total Loan Balance		100.00%	\$ 1,366,434,268.98
Foreclosure Frequency (FF)		15.61%	\$ 213,287,346.67
Loss Severity (LS)		30.88%	\$ 421,933,855.87
Projected Loss (PL)		5.21%	\$ 71,244,590.05

Loss Contributions / Tail Risk (Expected Case)						
Loss contributors	Special	% of Portfolio (Face)	Loss/ Total Loss%	Tail Weight	Loss/ Total Loans %	Loss \$
Worst 100 Loans	100	1.40%	0.00%	-	0.00%	
Worst 5 % Loss	\$ 68,321,713.45		0.00%	-	0.00%	
Worst 10 % Loss			0.00%	-	0.00%	
Worst 25 % Loss			0.00%	-	0.00%	
IOs		31.16%	23.98%	0.77	1.25%	\$ 17,085,986.44
2nd Liens	2	4.03%	10.73%	2.66	0.56%	\$ 7,641,902.15
Investor Properties	Investment	4.39%	5.68%	1.29	0.30%	\$ 4,043,362.52
Non Single Family Detached	Single Family	30.23%	32.31%	1.07		
Non Full Doc	Full Doc	41.80%	52.77%	1.27		
FICO < 660	660	73.03%	84.15%	1.15		
FICO < 600	600	27.09%	41.64%	1.54		
FICO < 550	550	7.18%	15.76%	2.19		
LTV > 0.8	80%	45.11%	59.20%	1.31		
LTV > 0.9	90%	17.53%	26.90%	1.53		
Loan Size > \$700,000	\$ 700,000.00	2%	0.65%	0.43		
Loan Size < \$100,000	\$ 100,000.00	57%	14.44%	0.25		

Sample Loan Tape Projected Loss Summary (Stressed Case)			
Collateral Portfolio	Special	Percent	Dollar
Total Number of Loans		100.00%	7143
Total Loan Balance		100.00%	\$ 1,366,434,268.98

SERVICERS		
Option One	24.86%	
Countrywide	27.37%	
Wells Fargo	20.35%	
Aurora	15.90%	
JPM Chase	11.17%	
HomeEq	0.35%	
Loss Coverage	Moody's	S&P
SASC 2006-BC3		
B2/B	4.90%	3.83%

Moody's B2 = 4.90%

lbsas06bc3

SASC 2006-BC3 M7

	pricing	fwd	f+1% (ramp)	f+2% (ramp)	f+200	f-200	fwd - 75% PP	f+1% (ramp) - 75%
Disc Margin	80	100	99	90	90	100	99	98
WAL	4.3	13.07	13.09	13.13	13.13	13.11	17.26	17.39
Mod Durm	3.711	8.783	8.335	8.006	7.807	9.981	10.427	9.793
Principal Window	Dec09 to Jan13	Oct16 to Jul46	Oct16 to Jul46	Oct16 to Jul46	Oct16 to Jul46	Oct16 to Jul46	May20 to Aug46	Jun20 to Aug46
Payment Window	Oct06 to Jan13	Oct06 to Jul46	Oct06 to Jul46	Oct06 to Jul46	Oct06 to Jul46	Oct06 to Jul46	Oct06 to Aug46	Oct06 to Aug46
Total Collat Loss by Group w/ History(Forecasted)	0.00 (0.00%)	(8.72%)	(8.53%)	(8.49%)	(8.49%)	(8.93%)	(10.84%)	(10.44%)
2 YEAR ARMS Default Rate	0 *3yr 10 to 3 in 7yr	147.992 *3yr 10 to 3 in 7yr CDR	143.657 *3yr 10 to 3 in 7yr CDR	142.742 *3yr 10 to 3 in 7yr CDR	142.744 *3yr 10 to 3 in 7yr CDR	152.743 *3yr 10 to 3 in 7yr CDR	128.115 *3yr 10 to 3 in 7yr CDR	121.839 *3yr 10 to 3 in 7yr CDR
2 YEAR ARMS Default Severity	0 *2YR 20-50 Sev	100 *2YR 20-50 Sev	100 *2YR 20-50 Sev	100 *2YR 20-50 Sev	100 *2YR 20-50 Sev	100 *2YR 20-50 Sev	100 *2YR 20-50 Sev	100 *2YR 20-50 Sev
Second Liens Default Severity	0 Percent	100 Percent	100 Percent	100 Percent	100 Percent	100 Percent	100 Percent	100 Percent
ELSE Advance (% of P&I)	100	100	100	100	100	100	100	100
ELSE Recovery Lag	12	12	12	12	12	12	12	12
ELSE Recovery Time Series	100	100	100	100	100	100	100	100
ELSE Rate During Init Recov Lag	0	0	0	0	0	0	0	0
ELSE Severity During Init Recov Lag	45	45	45	45	45	45	45	45
Delinq. Rate	0 Percent	99 Percent	99 Percent	99 Percent	99 Percent	99 Percent	99 Percent	99 Percent
Opt Redem	Y	N	N	N	N	N	N	N

Vertical Capital, LLC

Technology Platform: RMBS Surveillance

RMBS-Residential B&C

No.	CUSIP	SECURITY	Age	Update	MDY	S&P	Mtr Level	Curr Px	30-59	60-89	90+	BKPT	FCLS	REO	Curr Pipelin	Mtr chg	Pipeline Loss	Curr Loss	Mtr chg	Moody's B2	Orig Support	Curr Support	Adjusted Support	Pool Factor	3M	6M	12M
142	073079CR7	BSABS 2004-HE0 1A2	21	3/25/2006	Aaa	AAA		100.77	2.99	1.32	2.79	0.00	3.45	1.19	6.53	-0.26	2.84	0.49	0.03	5.25%	20.50	40.49	43.52	0.44127	33	33	41
143	073079CV8	BSABS 2004-HE0 M2	21	3/25/2006	A2	AA-		101.30	3.42	1.36	2.76	0.00	3.43	1.02	6.35	-0.44	2.86	0.36	0.03	5.25%	8.95	20.28	17.42	0.44127	36	38	45
144	437084DK1	HEAT 2004-5 M2	21	3/25/2006	Aa2	AA		100.58	3.33	2.42	2.54	2.57	4.46	1.57	9.32	0.82	4.19	0.14	0.00	4.35%	10.25	23.00	16.89	0.53062	31	35	37
145	437084EA0	HEAT 2004-5 M5	21	3/25/2006	A2	A	2	101.33	3.33	2.42	2.54	2.57	4.46	1.57	9.32	0.82	4.19	0.14	0.00	4.35%	5.25	13.66	9.47	0.53062	31	35	37
146	83188LAA5	SHOME 2004-1A M1	21	3/1/2006	Aa2	AA		100.36	1.30	0.67	1.03	0.00	0.00	0.00	1.11	-0.69	0.50	0.00	0.00	1.98%	71.01	84.06	83.56	0.25621	41	48	57
147	030725TZ6	AMSI 2004-R8 M1	21	3/25/2006	Aa1	AA+		100.80	3.04	1.34	2.43	2.13	3.59	1.35	7.60	-0.11	3.42	0.16	0.02	2.35%	10.20	23.11	19.69	0.44143	36	40	45
148	317356BH8	FINA 2004-2 M5	21	3/25/2006	A2	A		101.17	3.20	0.99	1.47	1.77	3.29	1.00	6.55	0.52	2.95	0.24	0.07		8.75	16.31	15.36	0.47077	34	36	41
149	317356BH4	FINA 2004-2 M8	21	3/25/2006	A3	A-		101.34	3.20	0.99	1.47	1.77	3.29	1.00	6.55	0.52	2.95	0.24	0.07		7.00	14.64	11.69	0.47077	34	36	41
150	317356BH9	FINA 2004-2 M9	21	3/25/2006	Baa2	BBB		101.08	3.20	0.99	1.47	1.77	3.29	1.00	6.55	0.52	2.95	0.24	0.07		4.00	6.35	5.48	0.47077	34	36	41
151	63611MBF4	SVHE 2004-1 M5	21	3/25/2006	A2	A		100.70	1.19	0.40	1.34	2.15	3.17	1.65	6.51	0.23	2.93	0.33	0.01	6.00%	11.05	31.64	28.91	0.34696	61	62	48
152	83611MBG2	SVHE 2004-1 M8	21	3/25/2006	A3	A-		100.78	1.19	0.40	1.34	2.15	3.17	1.65	6.51	0.23	2.93	0.33	0.01	6.00%	9.30	26.79	23.86	0.34696	61	62	48
153	04542BHC5	CBASS 2004-CB5 M2	20	3/25/2006	A2	A+		101.16	4.03	2.70	4.27	0.38	1.59	0.38	4.93	0.58	2.22	0.27	0.02	5.25%	8.59	20.37	18.15	0.43444	39	40	43
154	61746RH71	MSAC 2004-WMC2 M2	20	3/25/2006	A2	A		101.60	2.17	0.36	0.76																
155	61746RHU8	MSAC 2004-WMC2 M3	20	3/25/2006	A3	A-		101.66	2.17	0.39	0.75																
156	04542BHM5	ABFC 2004-HE1 A3	20	3/25/2006	Aaa	AAA		100.91	1.75	0.22	0.53																
157	064375BW9	ACCR 2004-3 M5	20	3/25/2006	Baa2	BBB+		100.00	0.74	0.34	0.90																
158	12506YDG1	CDCMC 2004-HE3 M2	20	3/25/2006	A2	A		101.14	3.49	1.43	1.44																
159	71085PAV5	PCHLT 2004-2 M1	20	3/15/2006	Aa2	AA+		100.34	3.36	0.66	0.80																
160	71085PB88	PCHLT 2004-2 M7	20	3/15/2006	Baa3	BBB		99.72	3.36	0.66	0.80																
161	004421GK3	ACE 2004-FM2 M2	20	3/25/2006	A2	AA		101.56	3.50	2.00	0.97																
162	004421GK7	ACE 2004-FM2 M5	20	3/25/2006	Baa2	A-		99.91	3.50	2.00	0.97																
163	76112BAP5	RAMP 2004-R58 M3	20	3/25/2006	A3	A-		101.67	4.52	1.46	3.92																
164	073079FH6	BSABS 2004-FR0 M3	20	3/25/2006	A2	AA-		101.17	4.07	1.28	2.06																
165	073079FJ2	BSABS 2004-FR2 M4	20	3/25/2006	A3	A+		101.42	4.07	1.26	2.06																
166	073079EV4	BSABS 2004-HE7 M3	20	3/25/2006	A3	A+		101.55	3.37	1.68	2.13																
167	36342DED1	GSAMP 2004-AR2 A3C	20	3/25/2006	Aaa	AA		100.00	2.44	0.35	0.28																
168	17307GJH2	CMULT 2004-OPT1 M1	20	3/25/2006	Aa1	AAA		100.50	1.61	0.66	1.36																
169	70069FBT3	PPSI 2004-WHQ1 M3	19	3/25/2006	Aa3	AA-		100.76	3.22	1.06	1.60																
170	70069FBV8	PPSI 2004-WHQ1 M5	19	3/25/2006	A2	A	2	101.60	3.22	1.06	1.60																
171	61744CG14	MSAC 2004-HE7 B3	19	3/25/2006	Baa3	BBB-		101.86	2.99	1.77	1.20																
172	040104LR0	ARSI 2004-W10 M4	19	3/25/2006	A2	A		101.31	2.44	1.40	2.30																
173	35729PEL0	FHLT 2004-2 M8	19	3/25/2006	Baa2	BBB+		100.00	4.49	2.08	1.46																
174	004421GK5	ACE 2004-HE2 M5	19	3/25/2006	Baa2	A		100.00	1.44	0.76	2.02																
175	437084GJ9	HEAT 2004-7 A5	19	3/25/2006	Aaa	AAA		100.42	3.01	3.45	2.34																
176	68369FGA6	COMLT 2004-3 M8	19	3/25/2006	Baa2	A		100.47	1.56	0.79	1.25																
177	00764MDJ3	AABST 2004-5 M3	18	3/15/2006	A3	A-	2	101.53	4.65	1.78	2.60																
178	61744CHJ8	MSAC 2004-HE8 B3	18	3/25/2006	Baa3	BBB-		101.49	3.53	1.52	1.62																

VERTICAL CAPITAL INVESTMENT ADVISORS										PCHLT 2004-2 M7 (71085PB88) Aggregate Loan Performance									
										Monitoring Status 2: Heightened									
										VIC: RMB5-Residential B&C									
Key Participants										1 MO CDR									
Notes										People's Choice Home Loan Securities Trust 2004-2									
Loan Originator(s)										100% People's Choice Home Loans, Inc.									
Servicer(s)										100% Chase Manhattan Mortgage Corp.									
Trustee (Guarantor)										HFC Bank USA Lebanon, Missouri									
Deal Exposure										3 MO CDR									
Deal										CLASS									
2004-1 (B&C)										M7									
Exposure										7,500,000									
% Portfolio										1.0%									
Total										M7									
7,500,000										1.0%									
Historical Pricing																			
Date										Class									
2/28/2006										M7									
10/1/2005										M7									
										PR									
										85.71%									
										100.00%									
										LIB									
										LIB									
Dates																			
Deal Closed:										8/27/2004									
										30,000,000									
Performance										Loan Group: Total									
Month										Age									
10/01/05										30-59									
										60-89									
										90+									
										BKPT									
										FIC									
										RE									

VERTICAL CAPITAL

INVESTMENT ADVISORS

PCHLT 2004-2 M7 (71085PB88) Aggregate Loan Performance

Monitoring Status 2: Heightened

VIC: RMBS-Residential B&C

Current Date: March 31, 2006
Report As Of: March 31, 2006

Key Participants

Issue: People's Choice Home Loans Trust 2004-2

Loan Originator(s): 100% People's Choice Home Loans, Inc.

Services(s): 100% Chase Manhattan Mortgage Corp.

Tranche Structure: RMBS Back USA (Liquidity Facility)

Deal Exposure

Deal CLASS Exposure % Portfolio

2004-2 (CDS) M7 7,500,000 1.0%

Total M7 7,500,000 1.0%

Historical Pricing

Date Class PE Source

3/25/2006 M7 86.713 UBS

3/21/2005 M7 100.300 UBS

Deal Summary

Deal Summary Original Current Factor

Collateral (Total) 753,834,113 352,023,721 0.46573474

Pool % 46.57%

Pending % 0.00%

U37 74.81%

U37 2.42%

U37 2.21%

Close UP Call

Average Loan Size 167,002

Guarantee None

MALA 3

ARM 107

ARM LTV 0.00%

ARM LTV > 80.00 0.00%

ARM 653

Full Doc 55.13%

First Lien 97.02%

Primary Residence 50.13%

Purchase Money 49.77%

Single Fam 71.51%

Interest Only 0.04%

Prepay Penalties % 0.00%

% FHL 0.00%

90 Day Delat

90 Day Delat % California 47.20%

Trigger Parameters

Trigger Value Limit Pass/Fail

Cumulative Loss Trigger 0.17% 3.75% Pass

Delinquency Trigger 0.10% 10.33% Pass

Maximum Date Today's Date Test Status

3/31/2005 Test Status

1 MO CPR

70.00%

60.00%

50.00%

40.00%

30.00%

20.00%

10.00%

0.00%

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

3 MO CDR

100.00%

90.00%

80.00%

70.00%

60.00%

50.00%

40.00%

30.00%

20.00%

10.00%

0.00%

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

Performance

Month Age 30-59 60-89 90+ BKPT FIC REO 90+ 1MO 3MO

Mar-05 20 3.36 0.66 0.11 3.12% 4.93% 1.56% 1.67

Apr-05 19 2.58 1.34 0.59 3.07% 4.43% 1.38% 2.33

May-05 18 2.97 1.03 0.55 2.84% 4.68% 1.75% 1.54

Jun-05 17 2.67 0.91 0.37 2.30% 4.55% 1.42% 1.28

Jul-05 16 2.54 0.81 0.37 2.41% 4.35% 1.05% 1.19

Aug-05 15 1.69 0.64 0.29 1.58% 4.29% 0.79% 0.93

Sep-05 14 1.66 1.00 0.18 1.01% 3.29% 0.39% 1.68

Oct-05 13 2.39 0.97 0.08 1.98% 2.62% 0.16% 1.16

Nov-05 12 2.12 0.66 0.07 0.96% 2.41% 0.44% 0.83

Dec-05 11 1.96 0.66 0.05 0.74% 1.81% 0.14% 1.48

Vertical Capital, LLC

Technology Platform: CDO Surveillance

VERTICAL CAPITAL

INVESTMENT ADVISORS

Bluegrass ABS CDO II, Class A2 (09622WAA6)

Run Date: 10/11/2006

Trustee Report Date: 9/5/2006

Intex Update Date: 9/5/2006

Monitoring Status 1: Normal

CDO-ABS Multisector

Key Participants							
Issue	BGRS 2004-2A						
Manager	INVECO						
Management Type	Active / Reinvest						
Trustee	Wells Fargo						
Dealers	Deutsche Bank						
Vertical PM	Kim Blackler						
Key Dates		Date		Mo's			
Next Payment Date		10/12/2006					
Deal Closed		4/14/2004		(30)			
1st Payment Date		10/12/2004		(24)			
Legal Final Date		4/12/2005		390			
End Reinvest Period		4/12/2007		6			
End Non Call Period		4/12/2007		6			
1st Auction Call Date		4/12/2014		90			
Vertical Exposure							
Deal	Class	Purchase Price (\$1000s)	Exposure (\$1000s)	% Port			
2004-1	A2	100.00	\$10,000	1.18			

Vertical Capital, LLC

Technology Platform: CMBS Surveillance

The screenshot displays the Vertical Capital CMBS Surveillance software interface, showing two main windows: 'viewCollateral' and 'viewQueries'.

viewCollateral Window:

- Asset Class:** CMBS
- Deal:** BSCMS 2005-LMR1
- Tranche:** J (07317BCPS)
- Deal Section:** Includes fields for Deal Original Face, Underwriter, and various industry classifications (S&P, Moody's, Fish, Country of Issue).

viewQueries Window:

- Portfolio Name:** CMBS Mezz Deal (V6)
- Trade Or Settle Date:** tradeDate
- Filter:** useNotchedRating: True
- Filter:** useShadowRating: True
- Table:** A table listing various CMBS deals with columns for Deal Name, Deal Type, Deal Size, Deal Date, Deal Maturity, Deal Coupon, Deal Spread, and Deal Status.

Source: Vertical Capital, LLC

Vertical Capital, LLC

Technology Platform: CMBS Property Level Surveillance

Tenant by Tenant Cash Flow Snapshot

Type of Space
1 Industrial
2 Office
3 Storage
4 Ofc/R &D
5 Warehouse

#	Tenant	SF	#	Type	Current Begin Date	Expiration Date	Term	Rent PSF	Ann. Rent	Mo. Rent
1	Abbey Kelley Foster Regional School	47,253	2	Office	7/1/2003	6/30/2008	3.0	\$10.66	\$ 503,716.98	\$ 41,976
2	Applied Industrial Technologies, Inc.	19,200	1	Industrial	2/1/1998	1/31/2008	10.0	\$4.25	\$ 81,600.00	\$ 6,800
3	Biomedical Research Models, Inc.	14,973	1	Industrial	1/15/1999	12/31/2008	10.0	\$5.81	\$ 83,968.53	\$ 7,000
4	Cardinal Freight Carriers, Inc. (MTM)	1,000	1	Industrial	3/1/2005	4/1/2005	0.1	\$0.00	\$ -	\$ -
5	Rand Whitney Packaging (MTM)	50,000	1	Industrial	5/1/2005	6/1/2005	0.1	\$2.50	\$ 125,000.00	\$ 10,417
6	Reed Machinery, Inc.	25,342	1	Industrial	1/1/2004	12/31/2008	5.0	\$4.97	\$ 125,452.74	\$ 10,454
7	Westraco	151,519	1	Industrial	7/1/2000	6/30/2010	10.0	\$3.66	\$ 554,559.54	\$ 46,213
8	Abbey Kelley Foster Regional School	44,074	1	Industrial	9/1/1998	8/31/2013	15.0	\$8.19	\$ 272,818.06	\$ 22,735
9	Abbey Kelley Foster Regional School	5,258	2	Office	9/1/1998	8/31/2013	15.0	\$3.09	\$ 16,247.22	\$ 1,354
10	Rain For Rent	5,400	2	Office	9/1/1998	11/30/2003	7.3	\$10.75	\$ 58,050.00	\$ 4,838
11	NES Companies Limited Partnership	10,150	4	Ofc/R &D	3/1/2001	2/28/2011	10.0	\$16.36	\$ 165,000.00	\$ 13,750
12	Expert Satellite, Inc.	4,100	1	Industrial	5/1/2001	4/30/2009	8.0	\$6.00	\$ 24,600.00	\$ 2,050
13	Hudson-RPM Distributors, LLC	3,000	1	Industrial	6/1/2001	12/15/2010	9.5	\$3.33	\$ 9,990.00	\$ 833
14	Hudson-RPM Distributors, LLC	120,000	1	Industrial	10/1/2000	12/15/2010	10.2	\$4.25	\$ 510,000.00	\$ 42,500
15	Mass Web Printing	13,823	1	Industrial	5/1/2000	4/30/2003	6.0	\$4.75	\$ 65,668.75	\$ 5,472
16	Mid-State Packaging	37,425	1	Industrial	1/1/2001	12/31/2005	5.0	\$4.40	\$ 164,670.00	\$ 13,723
17	Mid-State Packaging	33,025	1	Industrial	8/31/1998	12/31/2005	17.3	\$4.40	\$ 145,310.00	\$ 12,109
18	Millbrook Distributors	241,304	1	Industrial	9/1/1992	8/31/2007	15.0	\$4.20	\$ 1,013,476.80	\$ 84,456
19	Melech International	43,380	1	Industrial	7/1/2005	6/30/2010	5.0	\$4.50	\$ 195,210.00	\$ 16,268
20	American Red Cross	184,015	4	Ofc/R &D	11/1/1999	10/31/2014	15.0	\$8.28	\$ 1,523,644.20	\$ 126,970
21	RMS Services	40,000	4	Ofc/R &D	11/1/2002	10/31/2012	10.0	\$5.34	\$ 213,600.00	\$ 17,800
22	Bank of America - Warehouse C	38,486	1	Warehouse	4/1/2001	3/31/2010	9.0	\$7.35	\$ 282,872.10	\$ 23,573
23	American Red Cross - Warehouse	28,108	1	Warehouse	3/1/2003	10/31/2008	6.7	\$7.20	\$ 202,363.20	\$ 16,864
24	Bank of America - Warehouse B	23,040	1	Warehouse	10/1/2001	3/31/2010	8.5	\$7.35	\$ 169,344.00	\$ 14,112
25	Bank of America - Warehouse A	21,600	1	Warehouse	10/1/2003	3/31/2010	6.5	\$7.35	\$ 158,760.00	\$ 13,230
26	Admiral Construction (MTM)	2,850	2	Office	10/1/2003	7/1/2003	1.8	\$15.00	\$ 42,750.00	\$ 3,563
27	Bank of America - ATM	1	1	Warehouse	10/1/2003	9/30/2003	2.0	\$0.00	\$ 20,000.00	\$ 1,667
27 Total Occupied		1,208,228	81%				10.8	\$5.55	\$6,728,702	\$ 560,725
Occupancy date as of		7/1/2005	Occ.	% of Bldg.						
15	Industrial	802,067		54%			10.7	\$ 4.20	\$3,372,354	\$ 281,030
4	Office	60,761		4%			4.4	\$ 10.22	\$620,764	\$ 51,730
0	Storage	-		0%			-	\$ -	\$0	\$ -
3	Ofc/R &D	234,165		16%			13.9	\$ 8.12	\$1,902,244	\$ 158,520
5	Warehouse	111,233		7%			7.8	\$ 7.40	\$833,339	\$ 69,445
VACANT										
1	Vacant (Worcester - New Bond I)	10,000	1	Industrial			-	\$ -	\$ -	\$ -
2	Vacant (1080 Millbury Street)	116,841	1	Industrial			-	\$ -	\$ -	\$ -
3	Vacant (Rustcraft Road)	155,285	1	Warehouse			-	\$ -	\$ -	\$ -
3 Total Vacant		282,126	19%		7/1/05			\$0.00	-	-
30 TOTAL		1,490,352	100%					\$5.55	6,728,702	560,725

Vertical Capital, LLC

Technology Platform: Level 2 Surveillance

cdIssuer	transactionType	saleReason	cuslp	collateralID	dealID	securityName	price	amount
Foxe Basin CLO 2003, Ltd	SELL		BL0037079			LifeCare T/L B	\$ 96.00	\$ 960,000.00
Coliseum Funding LTD, 1A	SELL	Tenders	59000GAA8			Arvinmeritor Inc - 6.80%/2/ 2009	\$ 96.99	\$ 9,914,000.00
South Coast Funding VII, Ltd	SELL	Written Down	37638RAG7*			GLCR 2004-1A - SYN C Libor+3.30%/03/ 2039	\$ 0.00	\$ 48,725.33
Katonah III	SELL	Discretionary Sale	92839UAB3			Visteon Corp. - 8.25%/8/ 2010	\$ 82.25	\$ 8,000.00
Brant Point CBO 1999-1	SELL	12.1(a)	92839UAB3			Visteon Corp. - 8.25%/8/ 2010	\$ 82.25	\$ 46,000.00
Avery Point CLO	SELL	Discretionary Sale	92839UAB3			Visteon Corp. - 8.25%/8/ 2010	\$ 82.25	\$ 23,000.00
Avery Point CLO	SELL	Discretionary Sale	92839UAB3			Visteon Corp. - 8.25%/8/ 2010	\$ 81.75	\$ 17,000.00
Katonah III	SELL	Discretionary Sale	92839UAB3			Visteon Corp. - 8.25%/8/ 2010	\$ 81.75	\$ 6,000.00
Brant Point CBO 1999-1	SELL	12.1(a)	92839UAB3			Visteon Corp. - 8.25%/8/ 2010	\$ 81.75	\$ 34,000.00
Brant Point CBO 1999-1	SELL	12.1(a)	92839UAB3			Visteon Corp. - 8.25%/8/ 2010	\$ 82.75	\$ 46,000.00
Katonah III	SELL	Discretionary Sale	92839UAB3			Visteon Corp. - 8.25%/8/ 2010	\$ 82.75	\$ 9,000.00
Katonah III	SELL	Credit Risk	92839UAC1			Visteon Corp. - 7.0% 03/ 2014	\$ 77.25	\$ 73,000.00
Dresdner RCM Global Investors CBO II	SELL	Other	98417K106			XO Holdings Inc - Common Stock	\$ 2.30	\$ 0.87
Dresdner RCM Global Investors CBO II	SELL	Other	98417K114			XO Holdings Inc - Warrants K114	\$ 22.97	\$ 0.74
Dresdner RCM Global Investors CBO II	SELL	Other	98417K122			XO Holdings Inc - Warrants K122	\$ 16.67	\$ 0.30
Dresdner RCM Global Investors CBO II	SELL	Other	98417K130			XO Holdings Inc - Warrants K130	\$ 16.67	\$ 0.30
Avery Point CLO	SELL	Discretionary Sale	92839UAC1			Visteon Corp. - 7.0% 03/ 2014	\$ 77.25	\$ 59,000.00
Avery Point CLO	SELL	Discretionary Sale	92839UAB3			Visteon Corp. - 8.25%/8/ 2010	\$ 82.75	\$ 23,000.00
Federated CBO II, Ltd.	SELL	Tenders	043339CA6			Arvin Industries Inc - 7.125%/3/ 2009	\$ 97.88	\$ 2,500,000.00
Solar Investment Grade CBO I	SELL	Defaults	247361YF9			Delta Air Lines - 7.9% 12/ 2009	\$ 28.13	\$ 1,000,000.00
Solar Investment Grade CBO I	SELL	Defaults	247361YF9			Delta Air Lines - 7.9% 12/ 2009	\$ 28.38	\$ 1,000,000.00
Avery Point CLO	SELL	Credit Risk	404216AB9			HLI Operating Co Inc - 10.5%/06/ 2010	\$ 83.00	\$ 93,000.00
Katonah III	SELL	Credit Risk	404216AB9			HLI Operating Co Inc - 10.5%/06/ 2010	\$ 83.00	\$ 82,000.00
Brant Point CBO 1999-1	SELL	Credit Risk	404216AB9			HLI Operating Co Inc - 10.5%/06/ 2010	\$ 83.00	\$ 221,000.00
NYLIM High Yield CDO 2001	SELL	Credit Risk	87971KAA5			Tembec Industries Inc - 8.625%/06/ 2009...	\$ 60.00	\$ 200,000.00
Knollwood CDO Ltd.	SELL	Credit Risk Security	004421CC5			ACE 2003-TC1	\$ 99.88	\$ 2,220,221.25
Katonah III	SELL	Discretionary Sale	911365AN4			United Rentals NA, Inc - 6.5% 02/ 2012	\$ 99.00	\$ 356,000.00
Katonah III	SELL	Discretionary Sale	911365AN4			United Rentals NA, Inc - 6.5% 02/ 2012	\$ 99.00	\$ 534,000.00
Clydesdale CLO 2003	SELL	Credit Risk	36293YAC9			GSC Holdings Corp - 8.000% - 10/ 2012	\$ 99.50	\$ 25,000.00
Katonah III	SELL	Discretionary Sale	880349AH8			Tenneco Automotive Inc. - 8.625% 11/ 2014 EXG FROM 880349AF2 ON 5/ 20/ 2005	\$ 99.25	\$ 478,000.00
JWS CBO 2000-1, Ltd.	SELL	Other Corporate Action	45881IAB0			Internet Corporation - 9.75%/06/ 2009	\$	\$ 2,000,000.00
Avery Point CLO	SELL	Discretionary Sale	880349AH8			Tenneco Automotive Inc. - 8.625% 11/ 2014 EXG FROM 880349AF2 ON 5/ 20/ 2005	\$ 99.25	\$ 478,000.00
Avery Point CLO	SELL	Discretionary Sale	36293YAC9			GSC Holdings Corp - 8.000% - 10/ 2012	\$ 97.63	\$ 137,000.00
Avery Point CLO	SELL	Credit Risk	404216AB9			HLI Operating Co Inc - 10.5%/06/ 2010	\$ 84.00	\$ 227,000.00
Brant Point CBO 1999-1	SELL	Credit Risk	404216AB9			HLI Operating Co Inc - 10.5%/06/ 2010	\$ 84.00	\$ 539,000.00
Katonah III	SELL	Credit Risk	404216AB9			HLI Operating Co Inc - 10.5%/06/ 2010	\$ 84.00	\$ 201,000.00
Solar Investment Grade CBO II	SELL	Defaults	667280AF8			Northwest Airlines Inc - 10.0% 02/ 2009	\$ 44.00	\$ 2,000,000.00
Fort Point CDO I	SELL	Defaults	94981IAC1			WFMBS 2005-AR3 B2	\$ 94.75	\$ 943,490.72
Ascension High Grade CDO	SELL	Credit Risk	624581AB0			Movie Gallery - 11.000% - 05/ 2012	\$ 56.50	\$ 425,000.00
Fort Point CDO II Ltd	SELL		553083CW4			MMCA 2002-3 C	\$ 99.39	\$ 973,500.71
Katonah III	SELL	Credit Risk	404216AB9			HLI Operating Co Inc - 10.5%/06/ 2010	\$ 84.50	\$ 164,000.00
Brant Point CBO 1999-1	SELL	Credit Improved	404216AB9			HLI Operating Co Inc - 10.5%/06/ 2010	\$ 84.50	\$ 442,000.00
Avery Point CLO	SELL	Credit Risk	404216AB9			HLI Operating Co Inc - 10.5%/06/ 2010	\$ 84.50	\$ 185,000.00
Avery Point CLO	SELL	Discretionary Sale	36293YAC9			GSC Holdings Corp - 8.000% - 10/ 2012	\$ 97.38	\$ 412,000.00
Zais Investment Grade III	SELL	Defaults	302062AN4			Eximius Capital Funding Ltd - 9.324% 7/ 2011 Regs...	\$ 80.50	\$ 2,999,826.43
NYLIM High Yield CDO 2001	SELL	Credit Risk	87971KAA5			Tembec Industries Inc - 8.625%/06/ 2009...	\$ 52.50	\$ 100,000.00
Brant Point CBO 1999-1	SELL	Equity Disposition	86815U206			Superior Essex Holdings - Preferred Stock	\$ 83.00	\$ 8,348.00
Solar Investment Grade CBO II	SELL	Defaults	247126AB1			Delphi Corp - 6.5%/05/ 2009	\$ 60.75	\$ 4,000,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 75.50	\$ 120,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 74.00	\$ 235,000.00
Laguna ABS CDO, Ltd.	SELL	Credit Improved Security	126694AN8			CWHL 2005-19	\$ 99.94	\$ 1,268,924.02
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 71.25	\$ 120,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 70.25	\$ 235,000.00
Putnam Structured Product Funding 2003-1, Ltd.	SELL		251591AG8			DDR 4 5/ 8 08/ 01/ 10	\$ 96.22	\$ 580,338.25
Putnam Structured Product Funding 2003-1, Ltd.	SELL		251591AG8			DDR 4 5/ 8 08/ 01/ 10	\$ 96.22	\$ 580,338.25
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 69.25	\$ 235,000.00
Federated CBO II, Ltd.	SELL	Equity Disposition	0393447103			Viatel Holding Bermuda Ltd - Equity	\$ 0.50	\$ 444.00
Ascension High Grade CDO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 64.00	\$ 1,000,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 70.38	\$ 235,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 70.25	\$ 250,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 70.00	\$ 235,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 70.50	\$ 250,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 70.25	\$ 250,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 70.25	\$ 250,000.00
Hampden CBO	SELL	Credit Risk	235811AK2			Dana Corporation - 6.5%/03/ 2009	\$ 70.25	\$ 250,000.00
Sherwood Funding CDO Ltd.	SELL	Credit Risk	64352VCM1			NCHET 2003-1 - M4 Libor+3.50%/02/ 2033	\$ 97.89	\$ 5,905,000.00
Sherwood Funding CDO Ltd.	SELL	Credit Risk	64352VCM1			NCHET 2003-2 - M4 Libor+3.6% 01/ 2033	\$ 97.94	\$ 5,607,000.00
Sherwood Funding CDO Ltd.	SELL	Credit Risk	61746RBR1			MSAC 2003-NC6 - B3 Libor+3.75 06/ 2033	\$ 99.50	\$ 4,000,000.00
Sherwood Funding CDO Ltd.	SELL	Credit Risk	57643LCD6			MABS 2003-WMC2 - M6 Libor + 4.00%/08/ 2033	\$ 99.63	\$ 452,890.10
STACK 2004-1 Ltd	SELL		784649AH8			SSBRV 2001-1 D	\$ 69.25	\$ 2,775,771.11
Kilo II Funding, Ltd.	SELL		36228F5Z5	562	774	GSAMP 2004-SEA2, Class M1	\$ 99.50	\$ 16,480,850.87
Kilo II Funding, Ltd.	SELL		36228F5Z5	562	774	GSAMP 2004-SEA2, Class M1	\$ 99.50	\$ 16,480,850.87
Clydesdale CLO 2003	SELL	Credit Risk	36293YAC9			GSC Holdings Corp - 8.000% - 10/ 2012	\$ 99.38	\$ 25,000.00
Duke Funding VI	SELL	Credit Risk	36228F6C5		774	GSAMP 2004-SEA2 - M4 Libor+2.0% 03/ 2034	\$ 99.00	\$ 3,363,000.00
Duke Funding VI	SELL	Credit Risk	36228FU20			GSAA 2004-CW1 - B2 5.964% 04/ 2034	\$ 98.00	\$ 2,558,885.74
								\$ 100,080,407.86

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Vertical CDO 2003-1
Portfolio as of 3/31/2006

Cusip	Description	Asset Type	Maturity
061704A1	ARMOR LBO, 5% SENIORITY, 10/1/2012	Bank Loans	2/29/2012
048122A2	ARMOR LBO, 5% SENIORITY, 10/1/2012	Bank Loans	2/29/2012
048122A3	ARMOR LBO, 5% SENIORITY, 10/1/2012	Bank Loans	2/29/2012
048122A4	ARMOR LBO, 5% SENIORITY, 10/1/2012	Bank Loans	2/29/2012

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kaj@abn-amro.com

Vertical CDO 2003-1 Ltd, as Issuer
Vertical CDO 2003-1 Corp, as Co-Issuer

As of: 27-Mar-08
Current Payment: 05-Jun-08
Prior Payment: 03-Mar-08
Next Payment: 05-Jun-08

Monthly Report - Table of Contents

Electronic Reports

Issue ID: VERT0301
Monthly Data File Name:
VERT0301_200603_D_1.TXT Account Summary
VERT0301_200603_D_2.TXT Transaction Detail
VERT0301_200603_D_3.TXT Test History
VERT0301_200603_D_4.TXT Asset Detail

Relevant Dates

Closing Date: 02-Oct-03
First Payment Date: 03-Mar-04
Investment Period End Date: 02-Apr-04

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Holdings Report									
Verical CDO 2003-1									
Portfolio as of 3/31/2003									
Company	Security	Quantity	Cost	Price	Value	Gain/Loss	Yield	Rating	Weight
40000000	Verical CDO 2003-1, Class A (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-1 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-2 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-3 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-4 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-5 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-6 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-7 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-8 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-9 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-10 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-11 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-12 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-13 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-14 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-15 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-16 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-17 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-18 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-19 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-20 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-21 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-22 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-23 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-24 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-25 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-26 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-27 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-28 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-29 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-30 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-31 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-32 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-33 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-34 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-35 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-36 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-37 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-38 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-39 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-40 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-41 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-42 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-43 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-44 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-45 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-46 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-47 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-48 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-49 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-50 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-51 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-52 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-53 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-54 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-55 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-56 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-57 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-58 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-59 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-60 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-61 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-62 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-63 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-64 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-65 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-66 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-67 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-68 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-69 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-70 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-71 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-72 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-73 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-74 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-75 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-76 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-77 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-78 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-79 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-80 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-81 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-82 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-83 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-84 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-85 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-86 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-87 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-88 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-89 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-90 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-91 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-92 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-93 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-94 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-95 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40000000	Verical CDO 2003-1, Class A-96 (1444)	44.00	99.50	100.00	4,400.00	450.00	4.50%	AAA	0.00%
40									

SECTION 5

Performance of Vertical Capital Transactions

Vertical Capital, LLC

Active Sectors

♦ Vertical Capital is an active investor across the SFS markets from AAA - BB.

Issued	Deal Name	Sector	Strategy
2003	Vertical CDO 2003-1	CDO^2	Create term funding for high grade CDO Portfolio, take advantage of secondary market illiquidity
2004	Vertical CDO 2004-1	CDO^2	Follow-on Transaction
	McKinley Funding	HG RMBS/CDO	ABCP funding, LCF AAA RMBS + A RMBS + CDO
2005	Vertical ABS CDO 2005-1	Mezz RMBS	Enhanced subordination due to changed RA methodology, Ba1 RMBS Relative Value
	McKinley Funding II	HG RMBS/CDO	Baa1 RMBS Relative Value
2006	Vertical ABS CDO 2006-1	Mezz RMBS	RMBS CDS Q4 '05
	Vertical CRE 2006-1	CMBS	Large Loan CMBS + B-Note
	Vertical ABS CDO 2006-2	RMBS	95% overlap with ABS CDO 2006-1
	Pampelonne CDO I	HG RMBS/CDO	Predominately Synthetic HG Assets, attractive unfunded liabilities
	Vertical Virgo CDO I	Mezz RMBS	Reverse inquiry equity
	McKinley Funding III	HG RMBS/CDO	Static - Reverse inquiry equity

Vertical Capital, LLC

Ratings Transitions

Performance: Rating Transition Matrix

		Current																		
Moody's Rating		Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	WR	NR	Percent
At Purchase	Aaa	100.0%																		100.0%
	Aa1	2.0%	98.0%																	100.0%
	Aa2	0.6%	1.1%	98.3%																100.0%
	Aa3				100.0%															100.0%
	A1					100.0%														100.0%
	A2						100.0%													100.0%
	A3							100.0%												100.0%
	Baa1								100.0%											100.0%
	Baa2				0.6%		0.6%		0.6%	97.6%	0.6%									100.0%
	Baa3										99.1%	0.9%								100.0%
	Ba1										4.4%	95.6%								100.0%
	Ba2											12.5%	87.5%							100.0%
	Ba3																			
	B1																			
	B2																			
	B3																			
	WR																			
	NR																		100.0%	100.0%
	Percent		15.2%	4.6%	15.7%	3.2%	1.2%	14.4%	2.3%	8.6%	14.9%	10.0%	4.0%	0.7%					5.1%	

S&P Rating		AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	WR	NR	Percent
At Purchase	AAA	100.0%																		100.0%
	AA+		100.0%																	100.0%
	AA	1.2%	0.6%	98.2%																100.0%
	AA-				100.0%															100.0%
	A+	1.7%				98.3%														100.0%
	A	0.9%					99.1%													100.0%
	A-							98.5%	1.5%											100.0%
	BBB+								99.1%	0.9%										100.0%
	BBB			0.7%						98.6%	0.7%									100.0%
	BBB-									1.1%	98.9%									100.0%
	BB+											100.0%								100.0%
	BB												100.0%							100.0%
	BB-													100.0%						100.0%
	B+																			
	B																			
	B-																			
	WR																			
	NR																		100.0%	100.0%
	Percent	18.5%	4.4%	15.4%	3.3%	5.3%	10.1%	6.1%	10.8%	13.5%	8.0%	3.1%	0.9%	0.2%					0.3%	100.0%

Note: By Current Balance of Collateral and as of January 2007

Vertical CDO Track Record

Vertical Capital, LLC CDO Portfolio Statistics	Vertical CDO 2003-1	Vertical CDO 2004-1	McKinley Funding, Ltd. I	Vertical ABS CDO 2005-1	McKinley Funding, Ltd. II	Vertical ABS CDO 2006-1	Vertical CRE CDO 2006-1	Vertical ABS CDO 2006-2	Pampelonne CDO I	Vertical Virgo ABS CDO 2006-1	McKinley Funding, Ltd. III
Closing Date	3-Oct-2003	31-Mar-2004	10-Dec-2004	28-Jun-2005	18-Aug-2005	25-Apr-2006	24-May-2006	20-Jun-2006	19-Oct-2006	31-Oct-2006	30-Nov-2006
Collateral Balance											
Original - Deal Size	\$ 803.0	\$ 800.0	\$ 1,000.0	\$ 420.0	\$ 1,000.0	\$ 775.0	\$ 300.0	\$ 500.0	\$ 1,250	\$ 2,000	\$ 1,500
Current	\$ 635.8	\$ 657.2	\$ 877.2	\$ 423.0	\$ 988.4	\$ 771.3	\$ 290.9	\$ 499.7	\$ 1,247.8	\$ 1,985.2	\$ 1,494
Reinvestment Period Ends	Static	Static	29-Dec-2009	5-Jun-2009	29-Jul-2010	25-Apr-2010	22-Apr-2011	12-Jun-2010	11-Nov-2011	9-Nov-2010	Static
Call Date	26-Oct-2008	17-Apr-2009	29-Dec-2009	5-Jun-2009	10-Aug-2010	25-Apr-2010	15-Apr-2010	12-Jun-2010	14-Nov-2011	9-Nov-2010	8-Dec-2009
Collateral Type											
CDOs	100.0%	100.0%	29.1%	13.2%	29.5%	1.0%	0.0%	3.0%	30.2%	5.0%	39.9%
RMBS	0.0%	0.0%	63.4%	78.2%	68.7%	99.0%	0.0%	97.0%	69.2%	95.0%	59.8%
CMBS	0.0%	0.0%	3.9%	5.6%	1.8%	0.0%	100.0%	0.0%	0.6%	0.0%	0.3%
Other	0.0%	0.0%	3.7%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Rating (Moody's)	Aa1	Aa1	Aa3	Baa1	Aa3	Baa2/Baa3	BBB-	Baa2/Baa3	Aa3	Baa2/Baa3	Aa3
Range of Security Ratings	Aaa - Aa3	Aaa - Aa3	Aaa - A3	Aa1 - Ba2	Aaa - Baa1	Aaa - Ba1	A - BB-	Aaa-Ba1	Aaa - A3	Aaa - Ba2	Aaa - A3
Floating Rate Securities (1)	100%	100%	100%	95%	97%	94%	97%	99%	90%	95%	75%
No. of Securities Downgraded Since Closing	0	0	0	0	0	0	5	0	0	0	0
No. of Securities Upgraded Since Closing (2)	5	2	3	5	2	0	3	0	0	0	0
Passing OC/IC Coverage Tests	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Percentage Credit Default Swaps	0	0	0	3%	0	70%	0%	98%	57%	90%	15%
Portfolio Mark to Market Gain (Loss)	\$ 7.6	\$ 5.7	\$ 2.2	\$ (0.5)	\$ 0.4	\$ 1.8	\$ 0.4	\$ (4.4)	\$ (0.8)	\$ (15.5)	\$ 2.7
\$\$ Amount of Equity	\$ 6.4	\$ 6.5	\$ 16.5	\$ 16.8	\$ 18.6	\$ 31.0	\$ 18.1	\$ 20.0	\$ 8.5	\$ 110.0	\$ 18.0

As of November 2006

All figures in millions

(1) Portfolios that include fixed and hybrid securities also include interest rate swaps in order to hedge those securities to floating rate.

(2) Securities which have been fully redeemed are not included.

SECTION 6

Structured Finance CDOs

Why Structured Finance Securities as Collateral?

Strong Fundamentals

- ◆ CDOs backed by a majority of real-estate ABS products ("SF CDOs") provide investors diversified access to a stable asset class
- ◆ Spreads on structured finance securities have traditionally been wider than comparable corporate securities
- ◆ Although certain sectors in the ABS markets have experienced recent tightening, the residential ABS product, the mainstay of the SF CDO, continues to offer attractive relative value
- ◆ Most ABS structures have been evaluated by conservative rating agency methodologies and offer subordination levels that can withstand defaults well in excess of historical norms
- ◆ With the advent of the ABS CDS market, managers now have the ability to ramp collateral in a very quick and efficient manner while also being able to pick and choose assets they deem to be best of vintage pools
- ◆ The residential mortgage sector benefits from highly attractive investment characteristics including high rating stability, low default levels and strong recovery rates ¹

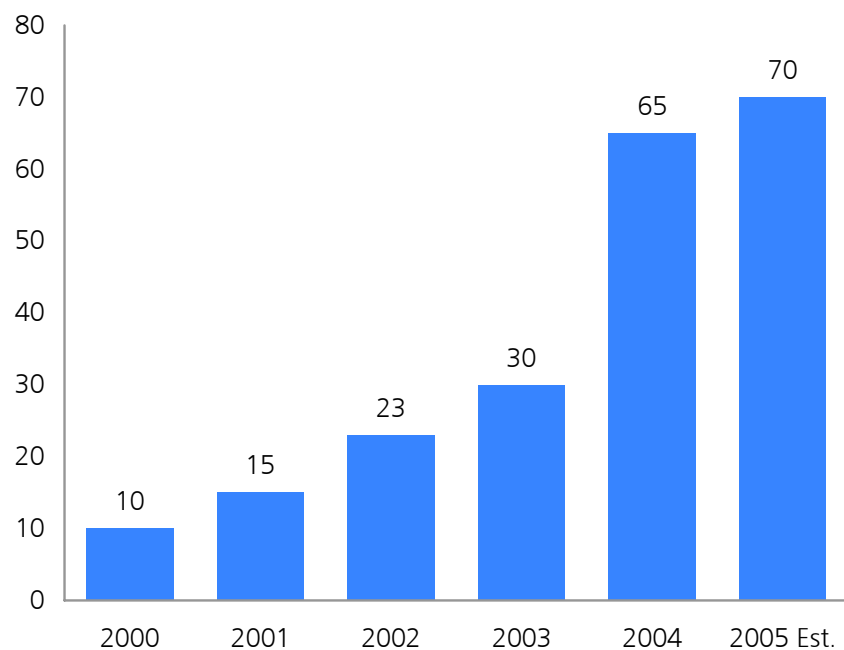
Note:

- ¹ Source: Standard and Poor's, Rating Transitions 2002: "Respectable Credit Performance of US CMBS", January 16, 2003; "US ABS Weather a Turbulent Year", January 31, 2003; "A Quarter Century of Outstanding Credit", February 6, 2003

Structured Finance CDO Total Cash Issuance

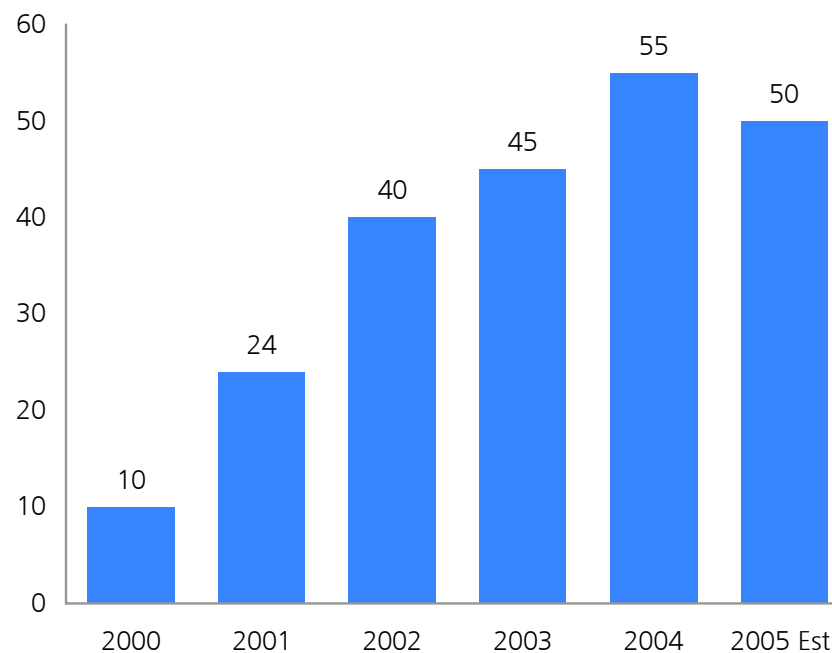
Total Issuance of Arbitrage Cash Flow, Cash Funded, US, Usually Investment Grade, CMBS-, RMBS-, REIT Debt-, ABS-, & CDO-Backed CDOs

USD Billions



Source: UBS Securities LLC

As % of Total CDO Market

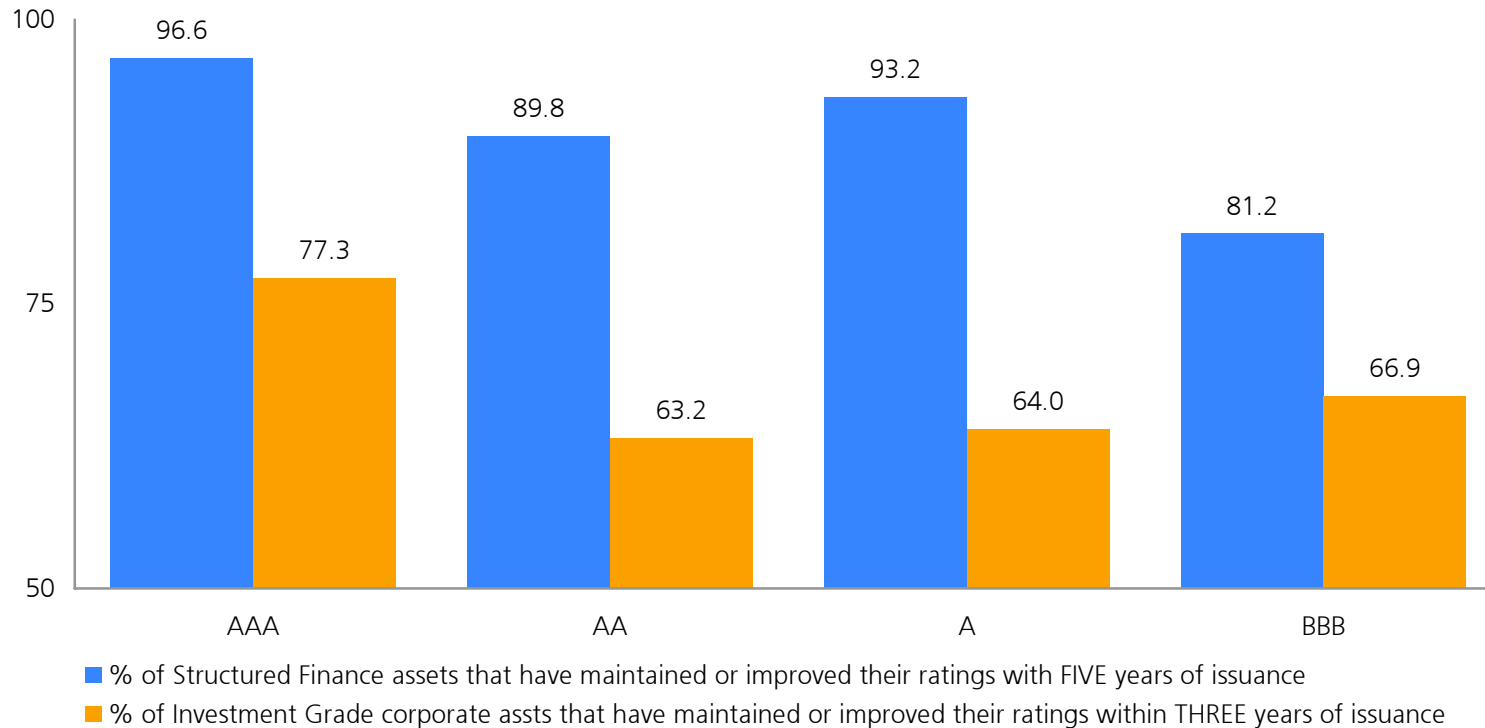


Source: UBS Securities LLC

Structured Finance Ratings Migration

The vast majority of assets preserve their ratings five years after issuance

Structured Finance



Source: "Ratings Changes in the US Asset-Backed Securities Market: 2003 Fourth Quarter Update," Moody's, January 2004

Structured Finance Ratings Migration

RMBS and HEL are especially good as CDO Collateral

One-Year Average Transition Matrix for RMBS and HEL

Rating At Beginning of Year	Rating at End of Year									
	AAA	AA	A	BBB	BB	B	CCC	CC	C	D
AAA	99.8	0.1								
AA	8.2	90.1	1.4	0.2	0.1	0.1				
A	3.1	6.9	88.5	1.1	0.2	0.1	0.2			
BBB	0.6	3.9	5.0	88.1	0.8	1.1	0.3			0.1
BB			3.3	9.0	84.3	1.3	1.1	0.4		0.6
B				1.7	5.3	88.0	2.7	0.3		2.0
CCC		0.6					52.5	13.6	3.4	29.9
CC				2.2				25.3		22.6
C										100.0
D										100.0

Source: Standard and Poor's

UBS Estimated Historic Constant Annual Defaults/Recoveries

	ABS	CMBS	RMBS/HEL	All SF	Corporates
Aaa	0.03%/87%	0.00%/na	0.03%/97%	0.03%/92%	0.05%/80%
Aa	0.69%/73%	0.00%/na	0.05%/82%	0.15%/77%	0.07%/40%
A	0.47%/55%	0.08%/87%	0.10%/68%	0.23%/62%	0.15%/44%
Baa	1.79%/45%	0.28%/50%	0.49%/56%	0.86%/53%	0.59%/41%
Ba	5.32%/42%	1.24%/54%	1.22%/52%	1.78%/49%	2.62%/41%
B	11.89%/34%	2.21%/47%	2.81%/43%	3.26%/43%	6.02%/36%

Source: UBS Securities LLC, based on five-year cumulative default rates studies by Moody's Investor Service and Standard & Poor's; CDO Insight, September 2004

Structured Finance Ratings Migration

Historical Recovery Rates of RMBS

- ◆ S&P recently completed a study on the recovery rates of ABS, RMBS, and CMBS collateral (together, these are referred to as “Structured Finance Securities”)
 - according to the study, Structured Finance Securities have historically had an average recovery rate of 62%¹
 - unlike other kinds of securities, Structured Finance Securities may receive more Cashflow in respect of interest and principal after a default

Recovery Rates of Defaulted RMBS

RMBS ¹	
Original Rating	Recovery Rate
AAA	96%
AA	75%
A	66%
BBB	67%
BB	67%
B	36%
CCC ³	100%
Average	60%

In contrast, the average recovery rate for corporate bonds from 1982-2002 is approximately 32%²

Notes: There was only one bond that was rated CCC at issuance included in this study and after it defaulted the recovery was 100%

1 Source: Standard and Poor's. "Recoveries of Defaulted US Structured Finance Securities", September 12, 2002. Note that this number excludes instances of credit card charge-offs due to fraud. These recovery rates represent all bonds rated by S&P from 1978 until June 30, 2002

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

APPENDIX A

Biographies

Biographies

Brett T. Graham - Managing Partner

Mr. Graham serves as Vertical's Chief Investment Officer and has oversight of the company's portfolio management activities. He is a member of the company's Investment Committee as well as its Board of Directors and has been with the company since it began operations. Mr. Graham co-manages the business activities of Vertical Capital in conjunction with Mr. Pearce. He was formerly a Senior Managing Director of Bear, Stearns & Co., Inc where he worked beginning in 1987. Most recently at Bear Stearns in London he managed the firm's International Debt Capital Markets Department (Europe & Asia) from 1993-2001, and was Co-Head of the Global Debt Capital Markets ("DCM") business. While in London Mr. Graham was also a member of Bear Stearns' European Management Committee. From 1990-1993, Mr. Graham directed Bear Stearns' activities in developing an ABS/MBS market in Europe. Prior to this, Mr. Graham was an Associate in Bear Stearns' Mortgage Backed Securities Department in New York focusing on Research, Liability Management for Financial Institutions and Product Development. Mr. Graham worked at Morgan Stanley in New York from 1985-1987 prior to joining Bear Stearns. He holds a B.A. from the University of California at Berkeley.

Thomas M. Pearce - Managing Partner

Mr. Pearce serves as Vertical's Chief Financial Officer as well as Chief Operating Officer and has oversight of the company's finance and operations. He is a member of the company's Board of Directors as well as its investment committee and has been with the company since inception. Mr. Pearce co-manages the business activities of Vertical in conjunction with Mr. Graham. Prior to forming Vertical Capital, Mr. Pearce was CEO and a co-founder of Peachtree Financial LLC, an Atlanta-based commercial finance company organized with the financial backing of Arthur J. Gallagher & Co. (NYSE:AJG) and First Union Securities. He initially served as that company's chief financial officer before being named CEO by the board of directors. Prior to forming Peachtree in 1998, Mr. Pearce was a Managing Director with Bear, Stearns & Co., Inc. where he was employed for more than 11 years, both in New York and Atlanta where he held senior positions in institutional fixed income as well as the Financial Services Group. In addition to experience across the credit sensitive ABS, MBS, CMBS and CDO arenas, Pearce specialized in the development of risk management solutions for a variety of financial institutions. Mr. Pearce began his career at Bear Stearns in the mortgage research department (F.A.S.T). He began his investment banking career in 1985 at the Paine Webber Group in New York City. He is a graduate of Washington and Lee University.

Biographies

Kem H. Blacker - Partner

Mr. Blacker serves as a senior portfolio manager focused in the ABS, MBS and CDO sectors as well as serving on the company's investment committee. He has been with the company since inception. Prior to forming Vertical, Mr. Blacker was formerly a founding partner of CGA Group and Managing Director for CGA investment management ("CGAIM"), a firm that specialized in securitized asset investing (ABS, CDOs, CMBS). As a member of CGAIM's investment committee and Managing Director of CGAIM's portfolio management group, he participated in the firm's investment decisions and was responsible for funding and hedging the firm's \$3 billion investment portfolio of securitized assets. Prior to joining CGA in 1996, Mr. Blacker was at Financial Guaranty Insurance Company ("FGIC") since its inception in 1984. He served in a variety of functions at FGIC, most recently as Senior Product Manager in the Capital Markets Group, where he invested in securitized assets and organized AAA-rated, off-balance sheet investment vehicles. Mr. Blacker established FGIC's London office in 1990 and served as Director of Marketing & New Products in Europe for 3 years where he implemented several proprietary offshore investment vehicles. Before moving to London Mr. Blacker was Director of FGIC's MBS business and established it as the leader in the sub-prime/home equity mortgage market. He is a graduate of the University of California at Davis.

Mary F. Davenport – Partner

Ms. Davenport is an Investment Committee member and serves as a senior portfolio manager focused on commercial real estate mortgage backed securities, real estate CDO's and commercial real estate related investments. she joined Vertical Capital from American Capital Access (ACA), where she was a Director in the Structured Finance and Asset Management Group since inception in 2001. Ms. Davenport was responsible for the establishment of investment guidelines, analysis and ongoing surveillance for corporate credits, commercial real estate credits and related assets. Ms. Davenport managed a portfolio of approximately \$1 billion in CMBS conduit securities, large loan floating rate transaction securities, and REIT debt. Ms. Davenport was a voting member on both the ABS and Corporate Credit Committees. Prior to joining ACA, Ms. Davenport was a Partner with Syntagma, Inc, a consulting company specializing in commercial real estate related transactions, corporate financings and bank balance sheet advisory. From 1990 - 1992, Ms. Davenport was a Credit specialist for the Federal Deposit Insurance Corporation, responsible for the analysis, management and disposition of assets held in multiple receivership accounts in excess of \$2 billion. Ms. Davenport began her career in 1980 at Merrill Lynch & Company as a financial consultant in investment advisory services. Ms. Davenport holds a B.A. in French & Economics from Trinity College.

Biographies

Beth A. Ferraro – Partner

Ms. Ferraro is a senior portfolio manager focused on the ABS and MBS marketplace and is a member of Vertical's investment committee. She joined Vertical from Alliance Capital Management, LP ("Alliance"), where she was a senior portfolio manager and Vice President from 1997 to 2004 in the Structured Asset Strategies Fixed Income Group. Ms. Ferraro was responsible for managing accounts comprised of senior and mezzanine ABS, MBS and CMBS valued at approximately \$6 billion among several strategies, which included hedge fund, CDO, conduit, insurance, institutional, mutual fund and high net worth individual portfolios. Prior to Alliance she was a Vice President and portfolio manager for Amalgamated Bank of New York and was responsible for managing total return accounts, specializing in mortgage-backed securities. Ms. Ferraro was a global fixed income analyst for Fiduciary Trust Company International and an economic analyst for the chief economist at Barclays de Zoete Wedd.

Ms. Ferraro, a cum laude graduate of Clark University, holds a B.A. and B.S. in economics and Business Management and an M.B.A. in Finance from New York University's Leonard N. Stern School of Business.

Jennifer Winterberg, CFA - Partner

Ms. Winterberg is a senior portfolio manager focused on the CDO sector. She is a member of Vertical's investment committee and has been with the company since it began operations. Ms. Winterberg joined Vertical from Metropolitan Life Insurance Company ("Met Life"), where she was a Director in the Asset-Backed Securities Unit from 2000 to 2002. At Met Life, she was the lead CDO analyst, responsible for a \$1.3 billion portfolio of CDO investments across all levels of the capital structure. Ms. Winterberg is experienced in analysis and valuation of cash flow, market value and synthetic CDO structures in a variety of asset sectors. Prior to assuming this role, she was a Team Leader and credit analyst in Met Life's Bank Loan Unit from 1998 to 2000, where she was responsible for a portion of Met Life's leveraged bank loan portfolio in a variety of industries. Prior to working at Met Life, Ms. Winterberg was a banker in the Chemicals & Pharmaceuticals Department of Citicorp Securities after completing Citicorp's management associate training program. Prior to this, she held various positions as a banker and credit analyst at Kredietbank NV. Ms. Winterberg holds a B.A. in History and Political Science from Duke University, an M.S. from the London School of Economics and an M.B.A. in Finance/International Business from New York University's Leonard N. Stern School of Business. She is also a CFA Charter holder.

Biographies

Chris Porcelli - Partner

Mr. Porcelli heads the company's modeling and structuring efforts and is responsible for development and implementation of the company's proprietary analytical and risk management systems. He was formerly a Vice President with American Capital Access (ACA) in the Structuring and Quantitative Group since its formation in 2001. His duties included responsibility for the development of ACA's collateral monitoring, surveillance and investor reporting systems. Prior to joining ACA, Chris was a Vice President with Bear, Stearns & Co., Inc. within the FAST department where he modeled CDOs and supported the firm's secondary CDO trading activities. He has extensive experience modeling a wide variety of CDO transactions (emerging market, high yield, ABS) in addition to performing in-depth cash flow and stress analysis used to trade CDOs. He also streamlined the systems utilized by Bear Stearns and enhanced its secondary trading and risk monitoring capabilities. In addition to his expertise in the structured credit securities markets, Mr. Porcelli has an extensive computer programming and systems background. Prior to joining Bear Stearns in 1998, he graduated from Columbia University from the school of Engineering and Applied Sciences with a B.S. in Computer Sciences.

Titus Abraham – Vice President

Mr. Abraham is responsible for the surveillance and monitoring function of the firm's ABS portfolio as well as supporting the Company's ABS portfolio management efforts from a research perspective. He joined Vertical Capital from Alliance Capital, where he was an Assistant Vice President and research analyst in the Structured Asset Research group. At Alliance, Mr. Abraham was responsible for the development and implementation of the firm's surveillance system that tracked the performance of Alliance's \$5 billion holdings in various ABS and CDO securities. As a member of Alliance's research staff, Mr. Abraham analyzed and recommended securities for the firm's various trading strategies, which included assets for short duration, hedge fund, sector rotation, and asset backed conduit portfolios. Prior to joining Alliance Capital in November 1999, Mr. Abraham was at the Institutional Trust Group at JP Morgan Chase; involved in various aspects of deal structuring and investor reporting relating to asset securitizations. Mr. Abraham received his Bachelors in Business Administration from Hofstra University.

APPENDIX B

Key Risk Factors

Key Risk Factors

An investment in the Securities involves risks. The following list of risk factors is a preliminary summary only and is qualified in its entirety by the more detailed description of the risk factors in the final offering circular. Prospective investors should review and carefully consider the risk factors set forth in the final offering circular.

Non-Recourse Obligations. The Notes represent non-recourse obligations of the Co-Issuers. The Securities are payable solely from the Collateral Debt Securities and other collateral pledged by the Issuer to secure the Notes ("Collateral"). The Issuer has no assets other than the Collateral. There can be no assurance that the distributions on the Collateral will be sufficient to make payment on the Securities. If distributions on the Collateral are insufficient to make payments on the Securities, no other assets will be available to make such payments and, following the liquidation of the Collateral, all obligations of the Issuer will be extinguished.

Subordinated Status of the Preference Shares; Subordination. Cayman Islands law. The Collateral securing the Notes does not secure the Preference Shares. As such, the holders of the Preference Shares and notes will rank behind all of the creditors of the Issuer, whether secured or unsecured and known or unknown, including, without limitation, the holders of the Notes. There can be no assurance that the distributions on the Collateral will be sufficient to make payments on the Preference Shares after making payments that rank senior to distributions in respect of such securities. To the extent any losses are suffered by any of the holders of any Securities, such losses will be borne in the first instance by the holders of the Preference Shares and then by the holders of the remaining securities. There can be no assurance that purchasers of the Preference Shares will recover any return of their investment therein. Distributions with respect to the Preference Shares will be subject to Cayman law. Such distributions will be made to holders of the Preference Shares only to the extent that the Issuer is solvent under Cayman Islands law immediately prior to, and after giving effect to, such distributions.

Volatility of the Preference Shares. The Issuer will be substantially leveraged. Use of leverage is a speculative investment technique and involves certain risks to investors. The use of leverage generally magnifies the Issuer's opportunities for gain and risk of loss. This is especially true with respect to the Preference Shares, which are subordinate in right of payment to the payment of interest on and principal of the Securities senior to the Preference Shares. Changes in the value of the Preference Shares (and to a lesser extent the Class B Notes) will be greater than the change in the value of the underlying Collateral, which itself is subject to credit, liquidity, interest rate and other risks. The leverage provided to the Issuer by the issuance of the Securities will result in interest expense and other costs incurred in connection with such borrowings that may not be covered by proceeds received from the Collateral.

Credit Risk of Collateral; Defaults on the Collateral. Returns on the Securities are dependent, in part, on the credit performance of the underlying Collateral Debt Securities. If any Collateral Debt Security defaults and is liquidated, it is unlikely that the Issuer will receive the full amount of principal and interest accrued on such security and the resulting shortfall would adversely affect the ability of the Issuer to pay the unpaid principal and interest or other distributions on the Securities. Defaults that lead to losses on the Collateral Debt Securities could have adverse effects on the yield of the Securities. In certain circumstances, it is possible that investors will not recover their original investment and, due to the subordination of the Preference Shares (and to a lesser extent the Class B Notes), the holders of the Preference Shares in particular will be directly and immediately affected by defaults and losses on the Collateral. The amount and nature of the Collateral securing the Notes have been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral. If any deficiencies exceed such assumed levels, however, payment of the Securities could be adversely effected. Furthermore, if recoveries on defaulted Collateral Debt Securities fall below the assumed levels set forth herein, payment of one or more classes of Securities would be adversely affected.

Volatility of Collateral Debt Securities. The market value of the Collateral Debt Securities will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry and the financial condition of the underlying issuers of the Collateral Debt Securities. A decrease in the market value of any Collateral Debt Security would adversely affect the sale proceeds that could be obtained upon the sale of such security and ultimately the ability of the Issuer to pay in full or redeem the Securities. There can be no assurance that the market value of the pool of Collateral Debt Securities will be equal to the aggregate principal outstanding amount of the Securities. Furthermore, under certain limited circumstances, the Collateral Manager may direct the acquisition and disposition of Collateral Debt Securities. Sales and purchases (or lack thereof) of Collateral Debt Securities could result in losses by the Issuer, which losses could affect the timing and amount of payments in respect the Securities. Furthermore, some of the Collateral Debt Securities will have no, or a limited, trading market. The investment in such illiquid securities may restrict the Issuer's ability to dispose of investments in a timely fashion or for a fair price as well as the Issuer's ability to take advantage of market opportunities.

Key Risk Factors

Ratings. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Please see the final offering circular for a detailed description of the rating with respect to each class of Securities. In addition, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Additionally, credit ratings of the Collateral Debt Securities will be used by the Collateral Manager only as a preliminary indicator of investment quality. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Collateral Manager's credit analysis than would be the case with investments in investment-grade obligations.

The Issuer could also be a controlled foreign corporation ("CFC") if U.S. persons that each own at least 10% of the Issuer's equity (for U.S. Federal income tax purposes) together own more than 50% of such equity. If the Issuer were a CFC, a U.S. holder that owned 10% of the Issuer's equity (for U.S. Federal income tax purposes) (i) would not be subject to the PFIC rules described above and (ii) would recognize each year as ordinary income its *pro rata* share of the Issuer's "subpart F income" (which in the case of the Issuer would be its net earnings) without regard to the cash distributions actually received from the Issuer which could result in such 10% U.S. holder owing tax on significant amounts of "phantom income." Subpart F inclusions are generally not eligible for either (i) the dividends received deduction or (ii) the preferential rate on dividend income.

U.S. investors that acquire Preference Shares (and/or Notes that are treated as equity interests for U.S. Federal income tax purposes) at issuance will be required to file a Form 926 or a similar form with the U.S. Internal Revenue Service. In the event that such U.S. holder fails to file any such required form, such U.S. holder could be subject to a penalty (generally up to a maximum of \$100,000), computed in the amount of 10% of the fair market value of the Securities purchased by such U.S. holder. Certain tax shelter reporting requirements may also apply to such a U.S. holder.

If the assets of the Issuer were insufficient to repay the U.S. holders of the Preference Shares or Notes in full, such holders would generally recognize a capital loss on their investment for U.S. Federal income tax purposes. In addition, a U.S. holder may be limited in its ability to use such capital losses to offset income previously recognized with respect to the Preference Shares or Notes. **PROSPECTIVE INVESTORS SHOULD READ THE DISCUSSION OF U.S. TAX CONSIDERATIONS IN THE OFFERING DOCUMENT TO BE PROVIDED, WHICH WILL INCLUDE MORE DETAILED INFORMATION AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE MATTERS ABOVE.**

Changes in Tax Law; No Gross-Up. Although no withholding tax is currently imposed on the payments of interest on the Securities, there can be no assurance that, as a result of any change in any applicable law, treaty, rule, regulation, or interpretation thereof, the payments on the Securities would not in the future become subject to withholding taxes. In the event that any withholding tax is imposed on payments of interest on any class of Securities, the Issuer will not "gross-up" payments to the holders of such Securities.

Certain German Tax Considerations. Under certain circumstances, holders of Securities who are subject to German tax law may suffer punitive tax consequences under the German Investment Tax Act. Any recipient of this material who is subject to German tax law is hereby strongly urged to consult with its own tax experts.

Adverse Effect of Determination of U.S. Business. The United States federal income tax treatment of the Issuer is not entirely free from doubt and if it were determined that the Issuer was engaged in a United States trade or business and had taxable income that is effectively connected with such United States trade or business, then the Issuer would be subject under the United States Revenue Code of 1986 (the "Code") to the regular corporate income tax on such effectively connected taxable income and possibly to 30% branch profits tax as well.

Optional Redemption of Securities. An Optional Redemption of the Securities could require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could result in a lower realized value for the Collateral Debt Securities sold.

Mandatory Redemption of Notes; Tax Redemption. If relevant coverage tests are not met, interest proceeds and, thereafter, principal proceeds that otherwise would have been distributed to the holders of more junior classes of Notes and the Preference Shares will be used to redeem the more senior classes of Notes to the extent necessary to restore the applicable coverage test to the minimum required level. Furthermore, upon the occurrence of a tax event as described in the transaction documents and subject to the satisfaction of certain conditions, the Securities may be redeemed in whole but not in part. This could result in elimination, deferral or reduction in the amounts available to make distributions to holders of the Preference Shares.

Key Risk Factors

Issuer; Collateral Manager's Performance. The Issuer is a newly formed entity and has no prior operating history. The Issuer has no employees and is dependent on the employees of the Collateral Manager to make decisions on its behalf in accordance with the terms of the transaction documentation. As a result, the success of the Issuer will be highly dependent on the expertise of the Collateral Manager. Consequently, the loss of one or more of the individuals employed by the Collateral Manager to manage the Issuer's investment program could have a significant adverse effect on the performance of the Issuer. Furthermore, the prior investment results of the Collateral Manager are not indicative of the Issuer's future investment results. The nature of, and risk associated with, the Issuer's future investments may differ substantially from those investments and strategies undertaken historically. There can be no assurance that the Issuer's investments will perform as well as the past investments of the Collateral Manager or persons associated with the Collateral Manager. The Collateral Manager's performance history is intended only to give potential investors information concerning the past experience of the Collateral Manager and is not a representation or warranty by the Collateral Manager, UBS Securities LLC, or any other person as to the actual composition or performance of the Issuer's portfolio or of Collateral. The nature and risks associated with the Issuer's future investments may differ materially from those investments and strategies historically undertaken by the Collateral Manager.

Collateral Manager: Potential Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall investment activity of the Collateral Manager and its affiliates and the payment of collateral management fees to the Collateral Manager. The Collateral Manager and its affiliates also provide asset management services not related to this transaction. The Collateral Manager and its affiliates will not be restricted in their performance of any such services or in the types of debt or equity investments, which they may make. In connection with any such activities described above, the Collateral Manager and its affiliates may hold, purchase, sell, trade, or take other related actions in securities or investments of a type that may be suitable to be included in the Collateral. The Collateral Manager and its affiliates will not be required to offer such securities or investment to the Issuer or provide notice of such activities to the Issuer. The Collateral Manager, its affiliates, and/or its clients and accounts for which the Collateral Manager or an affiliate of the Collateral Manager acts as an investment advisor may acquire Securities.

UBS Securities LLC: Potential Conflicts of Interest. UBS Securities LLC and its affiliates may, now or in the future, engage in business with persons involved in the issuance of, or guaranteeing the timely payments of the Collateral, their affiliates and their competitors, including making loans to or equity investments in such persons, their affiliates and their competitors or provide them with investment banking, asset management or other advisory services. These activities may present a conflict between UBS Securities LLC and its affiliates' obligations and the interest of the holders of the Securities. In addition, UBS Securities LLC or its affiliates may possess information relating to such persons, which is not known to the Collateral Manager or the Issuer. In addition, during the pre-closing period and to facilitate the Issuer's acquisition of the Collateral Debt Securities on the Closing Date, an affiliate of UBS Securities LLC will, purchase and warehouse the Collateral Debt Securities for the Issuer. Some of the Collateral Debt Securities warehoused by such affiliate may be purchased from a portfolio of assets already held by such affiliate. If interest rate benchmarks change during the warehousing period and/or certain hedge providers fail to perform under hedge agreements executed to mitigate the impact of such rate changes, the purchase price paid by the Issuer to such affiliate of UBS Securities LLC for the Collateral Debt Securities on the Closing Date may be significantly higher than the market value of such Collateral Debt Securities.

Neither UBS Securities LLC, nor its affiliates, is under any obligation to share any investment opportunity, idea or strategy with the Collateral Manager or the Issuer or to utilize for the Issuer's benefit any non-public information acquired by it or any other of its affiliates in the course of providing services to any other person, engaging in any transaction (on its own account or otherwise) or otherwise carrying on its business. Moreover, UBS Securities LLC or its affiliates may have published, and may in the future publish, research reports on such persons, their affiliates or their competitors. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. An affiliate of UBS Securities LLC may purchase a significant amount of the securities and may exercise the rights of the controlling class (as described by "Controlling Class" below) at its discretion and without regards to the interest of other holders of securities.

Control by Controlling Class. 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. The holder of the most senior class of Notes will be entitled to initiate the liquidation and sale of all the Collateral even if the anticipated net proceeds of a sale or liquidation of the Collateral would be insufficient to discharge in full amounts then due on the Notes.

Hypothetical Illustrations. Please see Description of Certain Hypothetical Illustration Assumptions and Disclaimer with Respect to Hypothetical Illustrations and Certain Related Assumptions for a more detailed description of certain material assumptions utilized in producing certain of the information set forth herein.