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Commodore V CDO Term Sheet

Merrill Lynch International

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August 2006
Preliminary Information

Subject to Completion and Amendment

This Preliminary Information outlines certain characteristics of a proposed collateralized debt obligation transaction ("CDO"). This material is presented solely for purposes of discussion, to determine preliminary interest in investing in a transaction with the general characteristics described. This transaction is in a structuring phase and there may be material changes to the structure and collateral prior to the securities being offered (such securities, the "Offered Securities").

Please review the "Important Notice" in the marketing book.	Commodore CDO V, Ltd. 	COLLATERAL MANAGER: Fischer Francis Trees and Watts, Inc.
THE OFFERING: \$[506.2] million Collateralized Debt Obligation Notes and Preference Shares issued by Commodore CDO V, Ltd. ("Commodore V")		

	CLASS A1A NOTES ⁽¹⁾⁽²⁾⁽³⁾	CLASS A1B NOTES ⁽¹⁾⁽²⁾⁽³⁾	CLASS A-2 NOTES ⁽¹⁾⁽²⁾⁽³⁾	CLASS A-3 NOTES ⁽¹⁾⁽²⁾⁽³⁾	CLASS B NOTES ⁽¹⁾⁽²⁾⁽³⁾	CLASS C NOTES ⁽¹⁾⁽²⁾⁽³⁾	CLASS D NOTES ⁽¹⁾⁽²⁾⁽³⁾	CLASS E NOTES ⁽¹⁾⁽²⁾⁽³⁾	PREFERENCE SHARES ⁽¹⁾⁽²⁾⁽³⁾
Principal	\$[75,000,000]	\$[225,000,000]	\$[50,000,000]	\$[25,000,000]	\$[70,000,000]	\$[18,250,000]	\$[24,000,000]	\$[9,500,000]	\$[15,420,000]
Percentage	[14.6%]	[44.5%]	[9.9%]	[4.9%]	[13.8%]	[2.6%]	[4.7%]	[1.7%]	[3.1%]
Coupon Type	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Residual]
Expected Rating ⁽⁵⁾	[Aaa/AAA]	[Aaa/AAA]	[Aaa/AAA]	[Aaa/AAA]	[Aa2/AA]	[A2/A]	[Baa2/BBB]	[Ba1/BB+]	[Not Rated]
Rating Agency	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[Moody's/S&P]	[N/A]
Average Life	[3.8 years]	[5.0 years]	[5.1 years]	[5.1 years]	[5.1 years]	[5.1 years]	[5.1 years]	[4.8 years]	[N/A]
Legal Maturity	[2046]	[2046]	[2046]	[2046]	[2046]	[2046]	[2046]	[2046]	[2046]
Denomination	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]	[\$250,000 min \$1,000 increments]

- (1) The transaction is at a structuring phase, the actual characteristics of the offered securities may differ from those presented herein.
- (2) Payments on the Notes and Preferred Shares will be made monthly.
- (3) Please see "Transaction Highlights - Structuring Assumptions" for a description of modeling assumptions.
- (4) Some limited exceptions may be permitted on the Closing Date to the minimum denomination requirements for the Preferred Shares.
- (5) A credit rating is not a recommendation to buy, hold or sell securities and is subject to revision at any time. Please see "Risk Factors - Credit Ratings."

- Commodore CDO V, Ltd. ("Commodore V" or the "Issuer") is a newly formed mezzanine collateralized debt obligation issuer ("CDO") incorporated under the laws of the Cayman Islands that will be managed by Fischer Francis Trees and Watts, Inc. ("Fischer Francis" or the "Collateral Manager").
- Commodore V plans to issue \$[506.2] MM of securities (the "Offered Securities") backed by a portfolio of Asset-Backed Securities ("ABS"), Residential Mortgage-Backed Securities ("RMBS")⁽¹⁾, Commercial Mortgage Backed Securities ("CMBS" and collectively with ABS and RMBS, "Structured Finance Securities"), securities issued by other CDOs that are primarily backed by Structured Finance Securities ("CDO Securities")⁽²⁾ and Synthetic Securities of which the reference obligation(s) are any of the foregoing.
- It is anticipated that the portfolio will consist of approximately [87.5]% Structured Finance Securities and [12.5]% CDO Securities. In addition, up to [40]% will consist of Synthetic Securities.

- (1) These elements of the underlying collateral already exist as investment vehicles. They should not be confused with the Offered Securities.
- (2) Please see "Risk Factors - Synthetic Securities" in the marketing book for further information relating to the risks of investing in Synthetic Securities.

Collateral Assumptions

Minimum Weighted Average Fixed Coupon ⁽²⁾	[6.00%]
Minimum Weighted Average Floating Spread ⁽²⁾	[1.80%]
Maximum Weighted Average Life	[6.0] years
Principal Amount	\$[500,000,000]
Maximum Correlation Score ⁽³⁾	<=[19.0%]
Expected Weighted Average Rating Factor ⁽¹⁾	[425] [Baa2/Baa3]
Maximum Weighted Average Rating Factor ⁽¹⁾	[525] [Baa2/Baa3]

Coverage Tests

	O/C Tests ⁽³⁾	Initial O/C ⁽⁴⁾
Sequential Pay Ratio	[125.5%]	[133.3%]
Class A/B Overcollateralization Test	[106.4%]	[112.4%]
Class C Overcollateralization Test	[104.6%]	[109.1%]
Class D Overcollateralization Test	[101.7%]	[103.7%]
Class E Interest Diversion Test	[100.9%]	[101.9%]

Ongoing Annual Fees and Expenses

Senior Management Fee	[25.0] bps
Subordinate Management Fee	[20.0] bps
Trustee Fees	[2.25] bps
Administrative Expenses	[3.75] bps
Administrative Fee Cap	\$[350,000]/year
Incentive Management Fee	[25%] of excess cash flows after [] IRR to Preference Shareholders
Closing Fees and Expenses	

On the Closing Date, a portion of the gross proceeds from the offering will be used to pay various fees and expenses, including expenses, fees and commissions incurred in connection with the acquisition of the underlying collateral, structuring and placement agency fees payable to Merrill Lynch and legal, accounting, rating agency and other fees. Closing fees and expenses reduce the amount of the gross proceeds of the offering available to purchase collateral and therefore the return to purchasers of the Offered Securities. Rating agencies will consider the amount of net proceeds available to purchase collateral in determining any ratings assigned by them to the Offered Securities. For information about the amount of such fees and expenses, please review the final Offering Circular before investing.

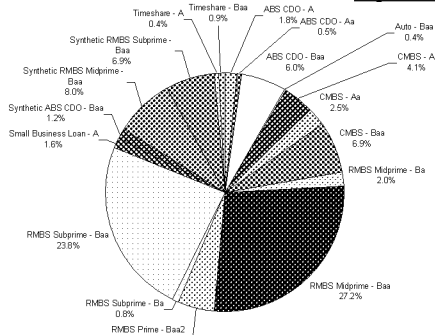
- (1) The expected Moody's Weighted Average Rating Factor and maximum Asset Correlation are included as structuring assumptions. However, it is expected that the actual Moody's Weighted Average Rating Factor test and Asset Correlation test will be established at different combinations of values which may be satisfied together for both tests to be passed.
- (2) The expected initial weighted average coupon will be approximately [6.29]%. The expected initial weighted average spread will be approximately [1.90]%
- (3) Test level represents the levels that must be passed in order not to cause accelerated redemption of the Notes (or to cause the deal to permanently pay principal on the Notes sequentially in the case of a breach of the "Sequential Pay Ratio")
- (4) The initial O/C ratios have been computed using the modeling assumptions specified herein and the structure of the transaction, including portfolio assumptions, currently contemplated. Because this transaction is in a structuring phase, and there may be material changes to the structure, terms and assets prior to the offering of any securities, there can be no assurance that the actual O/C ratios on the closing date will be the same as those indicated herein.

For further information on the Collateral Assumptions and the Coverage Tests, please see "Commodore CDO V, Ltd. - Transaction Highlights" in the marketing book.

For Further Information, Please Contact:		
Global Structured Products	CDO Marketing/Global Structured Products	ABS Trading and Syndicate
Harin De Silva (212) 449-9359	Institution Clients	Global Private Clients
Ken Margolis (212) 449-9396	US: Doug Mallach (212) 449-6190	Cliff Lanier (212) 449-5383
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		Mike Doyle (212) 449-3660

Global Structured Products

Representative Portfolio



NOTE: This is an indicative portfolio. All information shown on this page is for illustrative purposes only. The actual structure of the final transaction, including the composition of the collateral to be acquired, will be determined at or around the time of pricing of the Notes based upon market conditions and other factors applicable at that time.

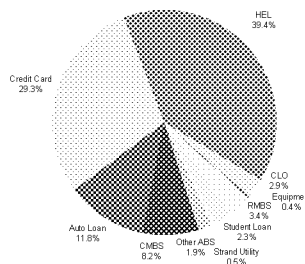
Up to 140% of the portfolio may be composed of Synthetic Securities. Synthetic Securities may reference obligations in any of these asset classes but are expected to reference primarily ABS CDO Securities. Please see "Risk Factors - Synthetic Securities" for additional risks relating to Synthetic Securities.

About Fischer Francis Trees and Watts, Inc. (1)

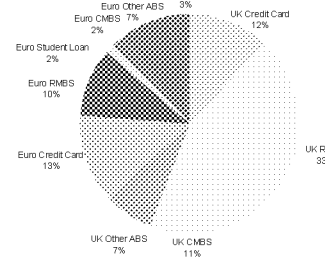
- FFTW has long been an innovator in the market, launching new products in response to client and market needs for over 30 years
- It is one of the few specialist fixed income portfolio managers with global credit expertise
 - \$19.0 billion of credit and structured product assets under management
 - \$3.2 billion corporate credit
 - \$10.0 billion ABS
 - Over \$ 1.7 billion in ABS CDOs
- Team of 24 dedicated credit specialists
 - 11 structured securities specialists
 - 13 corporate credit specialists
 - Local expertise: credit specialists in New York, London, Singapore and Tokyo
- Overview of FFTW System Resources
 - PRISM - Proprietary internet-based system which provides real time exposure measurements of risk variables
 - Geneva - Global portfolio accounting system by Adventis Software
 - Wall Street Analytics - Real time checking and reporting of CDO collateral tests and eligibility criteria
 - ABS Net - Integrates asset-backed deal performance data with securitization related content and provides software productivity tools for data analysis
 - Excel / VBA Applications - CDO portfolio management and various other analytical purposes
- ABS CDO Experience
 - Commodore CDO I, Ltd.: \$300 million issue size; launched February 2002
 - Commodore CDO II, Ltd.: \$300 million issue size; launched December 2003
 - Commodore CDO III, Ltd.: \$500 million issue size; launched March 2005
 - Commodore CDO IV, Ltd.: \$400 million issue size; launched August 2005
 - Commodore CDO V, Ltd.: \$500 million anticipated issue size (currently ramping)

Global Credit Expertise

U.S. Structured Products



International Structured Products



\$6.5 billion in U.S. Structured Products

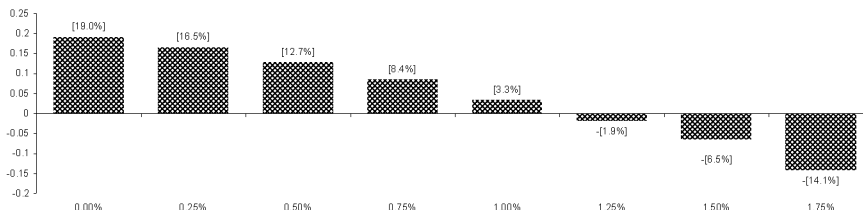
\$3.5 billion in International Structured Products

(1) There can be no assurance that the professionals currently employed by Fischer Francis Trees and Watts, Inc. or any of its affiliates will continue to be employed by Fischer Francis Trees and Watts, Inc. or any of its affiliates or that the past performance or success of any such professional serves an indicator of such professional's future performance or success.

Future market and economic conditions are impossible to predict. Future market or economic conditions that materially differ from those on which the assumptions are based may have a negative impact on the performance of Commodore CDO V, Ltd. For these and other reasons, there are limitations on the value of this or any hypothetical illustration.

Class Description (Moody's/S&P)	Based on a Break in Yield		Based on 0% Yield	
	Annual Default Rate	Cumulative Gross Defaults	Annual Default Rate	Cumulative Gross Defaults
Class A-1A First Priority Floating Rate Notes (Aaa/AAA)	[27.2%]	[70.8%]	[43.8%]	[85.3%]
Class A-1B Second Priority Floating Rate Notes (Aaa/AAA)	[27.2%]	[70.8%]	[44.9%]	[86.0%]
Class A-2 Third Priority Floating Rate Notes (Aaa/AAA)	[16.4%]	[53.4%]	[20.5%]	[61.1%]
Class A-3 Fourth Priority Floating Rate Notes (Aaa/AAA)	[13.3%]	[46.2%]	[15.0%]	[50.3%]
Class B Fifth Priority Floating Rate Notes (Aa2/AA)	[6.4%]	[26.4%]	[9.8%]	[37.1%]
Class C Sixth Priority Floating Rate Notes (A2/A)	[5.6%]	[23.2%]	[5.9%]	[24.5%]
Class D Seventh Priority Floating Rate Notes (Baa2/BBB)	[2.7%]	[12.1%]	[4.2%]	[18.3%]
Class E Eight Priority Floating Rate Notes (Ba1/BB+)	[2.0%]	[9.4%]	[2.8%]	[12.7%]

PREFERENCE SHARE IRR (2)(3)



- Assuming annual constant defaults beginning immediately, [52%] recovery rate, forward LIBOR. Please see "Transaction Details - Structuring Assumptions" for a description, Appendix A for a description of Collateral Cashflow Formulas.
- All the information shown on this page is for illustrative purposes only. The transaction is at a structuring phase, and the actual structure of the transaction and characteristics of the offered securities may differ from those presented herein. It is contemplated that the "Collateral Profile" would apply on and after the ramp-up completion date.
- Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each quarterly Distribution Date. Defaulted assets are assumed to be sold immediately at a price equal to the applicable recovery rate.

Please see "Transaction Highlights - Structuring Assumptions" in the marketing book for further information on break in yield and 0% yield default rates.

Non-U.S. holders of preferred shares in a CDO including the ones being offered are likely to be treated as owning an interest in a "passive foreign investment company" and possibly also a "controlled foreign corporation". U.S. investors in CDO securities will need to consult their personal tax advisors and consider filing certain tax disclosure forms in order to avoid the potential imposition of penalties associated with an undischarged investment in a foreign entity. Investors should direct their attention to the Tax Considerations section of the Confidential Discussion Material.

Please review "Section 4 - Risk Factors" and "Section 5 - Tax Considerations". In addition, risks of investing in the Offered Securities will be described more fully in the preliminary and final offering circulars to be provided in connection with the offering of the Offered Securities.