



Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

7-1-2005

Jupiter High-Grade III CDO Term Sheet

Merrill Lynch International

<https://elischolar.library.yale.edu/ypfs-documents/7014>

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ypfs@yale.edu.

Global Structured Products

July 2005

Pricing Information

Jupiter High Grade CDO III, Ltd.

**THE OFFERING:**

\$2,010.0 million Collateralized Debt Obligation ("CDO") Notes and Preferred Shares issued by Jupiter High Grade CDO III, Ltd.

MAXIM
A D V I S O R Y

COLLATERAL MANAGER:

Maxim Advisory LLC ("Maxim"), a wholly-owned subsidiary of Maxim Partners LLC

	CLASS A-1VA NOTES ⁽¹⁾⁽²⁾	CLASS A-1VB NOTES ⁽¹⁾⁽²⁾⁽⁴⁾	CLASS A-1NV NOTES ⁽¹⁾⁽²⁾	CLASS A-2A NOTES ⁽¹⁾⁽²⁾	CLASS A-2B NOTES ⁽¹⁾⁽²⁾	CLASS B NOTES ⁽¹⁾⁽²⁾	CLASS C NOTES ⁽¹⁾⁽²⁾	PREFERRED SHARES ⁽¹⁾⁽²⁾
Principal	\$250,000	\$400,000,000	\$1,299,750,000	\$80,000,000	\$70,000,000	\$90,000,000	\$43,000,000	\$27,000,000
Percentage	.01%	19.9%	64.7%	4.0%	3.5%	4.5%	2.1%	1.3%
Coupon Type	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Residual
Spread	L + 0.27%	L + 0.27%	L + 0.27%	L + 0.45%	Not Offered	L + 0.60%	L + 2.70%	NA
Rating	Aaa/AAA/AAA	Aaa/AAA/AAA	Aaa/AAA/AAA	Aaa/AAA/AAA	Aaa/AAA/AAA	Aa2/AA/AA	Baa2/BBB/BBB	Ba1 to principal
Average Life ⁽³⁾	6.1	6.1	6.1	6.2	6.2	6.2	6.2	NA
Rating Agency	Moody's/S&P/Fitch	Moody's/S&P/Fitch	Moody's/S&P/Fitch	Moody's/S&P/Fitch	Moody's/S&P/Fitch	Moody's/S&P/Fitch	Moody's/S&P/Fitch	Moody's
Stated Maturity	June 8, 2042	June 8, 2042	June 8, 2042	June 8, 2042	June 8, 2042	June 8, 2042	June 8, 2042	June 8, 2042
Denomination	\$250,000 minimum \$1,000 increments	\$250,000 minimum \$1,000 increments	\$250,000 minimum \$1,000 increments	\$250,000 minimum \$1,000 increments	\$250,000 minimum \$1,000 increments	\$250,000 minimum \$1,000 increments	\$250,000 minimum \$1,000 increments	\$250,000 minimum ⁽⁵⁾ \$1,000 increments

(1) The transaction is at a structuring phase, the actual characteristics of the offered securities may differ from those presented herein. Definitions and other terms will be fully described in the offering circular.

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

(3) Based on a 8 year auction call, WAS of 0.62%, WAC of 5.50%, and Forward LIBOR

(4) The Class A-1VB Notes may not be fully funded at Closing

(5) With some limited exceptions

STRUCTURE

Issuer:	Jupiter High Grade CDO III, Ltd.
Collateral Manager:	Maxim Advisory LLC, a wholly-owned subsidiary of Maxim Partners LLC
Closing Date:	August 10, 2005
Coupon Payment Dates:	Quarterly, beginning December 8, 2005
Ramp-Up Period:	120 days. At least 75% of the Collateral Portfolio is expected to be purchased or identified at closing.
Non-Call Period:	5 years (thereafter, all of the Notes and Preferred Shares may be called by a majority vote of the Preferred Shares)
Substitution Period:	2 years: manager may substitute up to 15% of the collateral per year to improve portfolio.
Coverage Test Cures:	If the Class A/B IC or Class A/B OC test is breached, interest will be used to pay down the principal of the Class A-1, Class A-2, and then the Class B Notes. If the Class C IC or Class C OC test is breached, interest will be used to pay down the principal of the Class C Notes.
Mandatory Auction Call	8 years
"Deleveraging Structure"	In the event that either 50% of the collateral has amortized or the A/B OC Test is breached, the deal will permanently pay down the Notes in sequential order. If the Class C OC Test fails, then any cure of the Class C OC Test could cause the deal to return to pay down the Notes on a pro rata basis.

COVERAGE TESTS

	O/C Tests	Initial O/C	I/C Tests	Initial I/C
Class A/B	101.1%	103.1%	103.0%	108.8%
Class C	100.4%	100.9%	101.0%	105.1%

FEES AND EXPENSES

Senior Management Fee:	8 bps per annum
Subordinate Management Fee:	2 bps per annum
Closing Fees and Expenses ⁽¹⁾	***

(1) On the Closing Date, the Co-Issuers will use a portion of the gross proceeds from the offering to pay various fees and expenses, including expenses, fees and commissions incurred in connection with the acquisition of the Collateral, structuring and placement agency fees payable to Merrill Lynch, upfront management fees payable to Maxim Advisory LLC 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.

COLLATERAL CHARACTERISTICS

• Minimum Weighted Average Fixed Coupon:	5.50%	• Maximum CDOs: ⁽³⁾	30%
• Minimum Weighted Average Floating Spread:	0.59%	• Maximum Weighted Average Life:	6.5 Years
• Maximum Weighted Average Rating: ⁽¹⁾	55 (Aa3/A1)	• Maximum Single Issuer Concentration:	1.0% ⁽⁴⁾
• Maximum Correlation Score: ⁽¹⁾	0.23	• Minimum Number of Obligors:	125
• Minimum Initial Rating at Purchase:	A3	• Maximum Obligations Rated Below Aaa:	65.0%
• Maximum Single Servicer Concentration:	7.5% ⁽²⁾	• Maximum Fixed Collateral:	25.0%
• Maximum Obligations rated "A1", "A2", "A3":	25.0%	• Maximum "A" Rated Issuer Concentration:	1.00%
• Maximum Corporate Synthetics	5%		

(1) Based on a WARF-Correlation Score matrix

(2) With some exceptions (yet to be determined)

(3) Minimum CDO rating is Aa3

(4) With five exceptions up to 1.5%

Global Structured Products	CDO Marketing/Global Structured Products	ABS Trading and Syndicate
	<i>Institution Clients</i>	<i>Global Private Clients</i>
Christopher Ricciardi (212) 449-9638	US: Doug Mallach (212) 449-6190	Marie Walsh (212) 449-5383
Harin De Silva (212) 449-9359	Canada: Barry Dennis (212) 449-0394	Marco Pavoncelli +44-207-996-3743
Cecilia Pan (212) 449-0867	Europe: Bill Berry 44-20-7995-4678	Scott Soltas (212) 449-3659
Zach Smith (212) 449-0192	Asia: Taro Masuyama 81-3-3213-7473	Colin Sheen (212) 449-3659
Josh Polsinelli (212) 449-8231		Andrew Phelps (212) 449-3660
Josh Laurito (212) 449-9316		Mike Foggia (212) 449-6190
		Sal Vasi (212) 449-6154

This term sheet may only be distributed along with the Confidential Discussion Materials to pre-qualified Merrill Lynch clients who are Qualified Purchasers within the meaning of Investment Company Act of 1940.

Global Structured Products

Why Invest in Structured Finance Securities?

Structured Finance Securities (including ABS, RMBS and CMBS) and CDOs have historically exhibited lower default rates, higher recovery upon default and better rating stability than comparably rated corporate bonds. Consequently, CDOs consisting of Structured Finance Securities and CDOs have outperformed other CDO types.

According to a recent Moody's study, the long-term historical average (1983-2004) of unchanged ratings of Structured Finance Securities and CDOs was 92.3%, which compares favorably to the 77.6% average of unchanged ratings of corporate bonds for the same period.⁽¹⁾

A Moody's study on recovery rates of Structured Finance Securities (including RMBS and HEL) has concluded the following:⁽²⁾⁽³⁾

- Aa and A rated Structured Finance Securities have historically had an average recovery rate of 83% and 93% for bonds that have not matured⁽⁴⁾.
- Aaa rated Structured Finance Securities have historically had an average recovery rate of 98% for bonds that have not matured⁽⁴⁾.

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

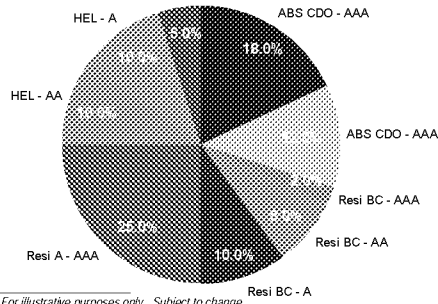
(2) Source: Moody's Investors Service, "Default & Loss Rates of Structured Finance Securities, 1993-2004" September 2004.

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

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

REPRESENTATIVE PORTFOLIO*

Corporate Bespokes



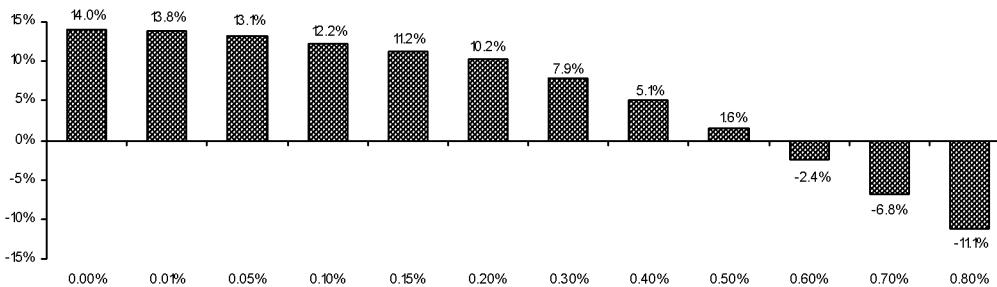
* For illustrative purposes only. Subject to change.

About Maxim Advisory LLC⁽¹⁾

- Maxim Advisory LLC ("Maxim"), has recently entered the Structured Finance asset management business focusing on Mortgage-backed securities ("MBS"), Asset-backed securities ("ABS"), and Collateralized Debt Obligations ("CDO"). Maxim is a wholly-owned subsidiary of Maxim Partners LLC and is a registered investment advisor under the Investment Advisers Act of 1940.
- Maxim intends to become an industry leader in the management of structured finance CDOs.
- Maxim employs investment professionals with extensive backgrounds and experience in Structured Finance. Their portfolio management and credit experience includes investing in the ABS/MBS/CMBS/CDO sectors.
 - Jupiter High Grade CDO, Maxim's first CDO closed in December of 2004 for \$750MM
 - Jupiter High Grade CDO II, the second CDO advised by Maxim, closed in March 2005 for \$1,006.7MM.
- Maxim Group LLC ("MG"), a sister affiliate of Maxim Advisory LLC, will provide a wide range of financial expertise and services to enhance Maxim's management capabilities.
- MG will provide support services to Maxim in a variety of areas including operations, systems, control, and risk management.

(1) Source: Maxim, As of April 2005

PROJECTED IRR ON PREFERRED SHARES⁽²⁾⁽³⁾



BREAKEVEN DEFAULT RATES⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Class Description (Moody's/S&P/Fitch)	Based on a Break in Yield		Based on 0% Yield	
	Annual Default Rate	Cumulative Gross Defaults	Annual Default Rate	Cumulative Gross Defaults
Class A-1 First Priority Senior Secured Floating Rate Delayed Draw Notes Aaa/AAA/AAA	12.3%	51.6%	34.9%	85.0%
Class A-2 Second Priority Senior Secured Floating Rate Notes Aaa/AAA/AAA	5.8%	29.3%	8.0%	38.0%
Class B Third Priority Senior Secured Floating Rate Notes Aa2/Aa/AA	2.2%	12.7%	3.8%	20.5%
Class C Fourth Priority Mezzanine Notes Baa2/BBB/BBB	1.0%	5.8%	1.7%	9.6%

(1) Break in yield is the default rate at which the first dollar loss occurs, and 0% yield is the default rate at which the cashflows over the life of the bond equal the initial investment.

(2) Based on an auction call in 8 years.

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

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 Jupiter High Grade CDO III, Ltd. For these and other reasons, there are limitations on the value of this or any hypothetical illustration.

THIS SUMMARY IS A SUMMARY OF THE "CONFIDENTIAL DISCUSSION MATERIAL - JUPITER HIGH GRADE CDO III, LTD." (THE "MATERIAL") AND SHOULD BE READ IN CONJUNCTION THEREWITH, INCLUDING "TRANSACTION HIGHLIGHTS - STRUCTURING ASSUMPTIONS" THEREIN. THE MATERIAL OUTLINES THE CHARACTERISTICS OF A PROPOSED COLLATERALIZED DEBT OBLIGATION TRANSACTION ("CDO"). THE MATERIAL IS PRESENTED SOLELY FOR PURPOSES OF DISCUSSION TO ASSIST PROSPECTIVE INVESTORS IN DETERMINING WHETHER THEY HAVE A PRELIMINARY INTEREST IN INVESTING IN A TRANSACTION WITH THE GENERAL CHARACTERISTICS DESCRIBED HEREIN. THIS TRANSACTION IS IN A STRUCTURING PHASE AND THERE MAY BE MATERIAL CHANGES TO THE STRUCTURE, TERMS AND ASSETS PRIOR TO THE OFFERING OF ANY SECURITIES (THE "SECURITIES"). NEITHER THE MATERIAL NOR THIS SUMMARY IS AN OFFER TO SELL, OR A SOLICITATION TO BUY, THE SECURITIES OR ANY OTHER INVESTMENT. ANY SUCH OFFERING OF THE SECURITIES WILL ONLY BE MADE PURSUANT TO A FINAL OFFERING CIRCULAR RELATIVE TO THE SECURITIES (THE "OFFERING CIRCULAR"), WHICH WILL CONTAIN MATERIAL INFORMATION NOT CONTAINED IN THE MATERIAL AND TO WHICH THE PROSPECTIVE PURCHASERS ARE DIRECTED. IN THE EVENT OF ANY SUCH OFFERING, THE MATERIAL AND THIS SUMMARY WILL BE DEEMED SUPERSEDED, AMENDED AND SUPPLEMENTED IN THEIR ENTIRETY BY THE OFFERING CIRCULAR (INCLUDING ANY PRELIMINARY VERSION THEREOF). THIS SUMMARY IS CONFIDENTIAL AND PROPRIETARY TO MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED AND ITS AFFILIATES (COLLECTIVELY, "MERRILL LYNCH") AND, ACCORDINGLY, EXCEPT AS DESCRIBED BELOW, THE SUMMARY IS TO BE TREATED AS STRICTLY CONFIDENTIAL AND NOT DISCLOSED DIRECTLY OR INDIRECTLY TO ANY PARTY OTHER THAN THE RECIPIENT AND ITS ADVISERS OR USED FOR ANY PURPOSE OTHER THAN TO MAKE A PRELIMINARY ANALYSIS OF THE SECURITIES, NOTWITHSTANDING THE FOREGOING. RECIPIENTS OF THIS SUMMARY AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS TRANSACTION AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. THIS AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PERMIT DISCLOSURE OF INFORMATION IDENTIFYING THIS TRANSACTION, THE INVESTMENT ADVISER, COLLATERAL MANAGER OR ANY OTHER PARTY OR THE PRICING (EXCEPT TO THE EXTENT PRICING IS RELEVANT TO TAX STRUCTURE OR TAX TREATMENT) OF THIS TRANSACTION.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THE INFORMATION CONTAINED IN THE MATERIAL, AS AMENDED AND SUPERSEDED BY THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR RELATING TO THE EVENTUAL OFFERING, IF ANY, OF THE SECURITIES DESCRIBED HEREIN. IF OFFERED WILL NOT BE REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION. THIS SUMMARY MAY NOT BE DISSEMINATED OTHER THAN (1) WITHIN THE UNITED STATES OF AMERICA, TO INVESTORS THAT ARE BOTH (A) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR (B) "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT AND, IN EACH CASE, WHO ARE ALSO (B) "QUALIFIED PURCHASERS" WITHIN THE MEANING OF SECTION 3(C)(7) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") OR (C) "KNOWLEDGEABLE EMPLOYEES" WITH RESPECT TO THE ISSUER OF THE SECURITIES WITHIN THE MEANING OF RULE 305-6 PROMULGATED UNDER THE INVESTMENT COMPANY ACT AND (2) OUTSIDE THE UNITED STATES OF AMERICA, TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT. THE OFFER OR SALE OF THE SECURITIES MAY BE FURTHER RESTRICTED BY LAW AND THE RESTRICTIONS SET FORTH IN THE OFFERING CIRCULAR. POTENTIAL INVESTORS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL RESTRICTIONS ON THEIR INVOLVEMENT IN THE TRANSACTION. ADDITIONAL NET WORKING AND/OR SOPHISTICATED REQUIREMENTS MAY BE REQUIRED OF INDIVIDUAL NON-U.S. PERSONS. APPLICATION WILL BE MADE TO LIST THE SECURITIES ON THE IRISH STOCK EXCHANGE LIMITED ("IRISH STOCK EXCHANGE"). THERE CAN BE NO ASSURANCE THAT LISTING ON THE IRISH STOCK EXCHANGE WILL BE GRANTED. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUCTIVE THIS SUMMARY, THE MATERIAL, THE OFFERING CIRCULAR OR ANY PRIOR OR SUBSEQUENT COMMUNICATION AS LEGAL, ACCOUNTING OR TAX ADVICE. CERTAIN INFORMATION IS PRESENTED IN SUMMARY FORM AND IS NOT COMPLETE. IN ADDITION, CERTAIN INFORMATION CONTAINED HEREIN HAS BEEN PROVIDED BY THIRD PARTIES AND HAS NOT BEEN INDEPENDENTLY VERIFIED BY MERRILL LYNCH AND MERRILL LYNCH MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR THE COMPLETENESS OF SUCH INFORMATION. AN INVESTMENT IN THE SECURITIES PRESENTS SUBSTANTIAL RISKS AND INVESTORS SHOULD BE PREPARED TO SUFFER A LOSS OF THEIR ENTIRE INVESTMENT. PRIOR TO MAKING AN INVESTMENT DECISION, AN INVESTOR SHOULD CONDUCT SUCH INVESTIGATIONS AS SUCH INVESTOR DEEMS NECESSARY IN ORDER TO DETERMINE IF AN INVESTMENT IN THE SECURITIES OFFERED BY THE OFFERING CIRCULAR IS APPROPRIATE AND SUITABLE FOR SUCH INVESTOR AND SHOULD CONSULT SUCH INVESTOR'S OWN LEGAL, ACCOUNTING AND TAX ADVISERS IN ORDER TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN SUCH SECURITIES AND TO MAKE AN INDEPENDENT EVALUATION OF SUCH INVESTMENT, WITH RESPECT TO INSTITUTIONAL CLIENTS, MERRILL LYNCH IS ACTING IN THE CAPACITY OF AN ARM'S LENGTH CONTRACTUAL COUNTERPARTY AND NOT IN THE CAPACITY OF A FINANCIAL ADVISOR OR FIDUCIARY FORWARD LOOKING STATEMENTS: ANY PROJECTIONS, FORECASTS AND ESTIMATES CONTAINED IN THIS SUMMARY ARE FORWARD LOOKING STATEMENTS AND ARE BASED UPON ASSUMPTIONS. PROJECTIONS ARE NECESSARILY SPECULATIVE IN NATURE, AND IT CAN BE EXPECTED THAT SOME OR ALL OF THE ASSUMPTIONS UNDERLYING THE PROJECTIONS WILL NOT MATCH ACTUAL RESULTS. ACCORDINGLY, THE PROJECTIONS THAT MAY FOLLOW FROM ALL POSSIBLE CONTINGENCIES, INCLUDING DEFAULT, INTEREST RATE AND OTHER SCENARIOS, AND CERTAIN ECONOMIC FEATURES OF THE SECURITIES, INCLUDING CALL FEATURES AND CASH FLOW OVERSIGHTS (EVENTS). PROSPECTIVE INVESTORS SHOULD UNDERSTAND THE ASSUMPTIONS USED IN ANY ANALYSIS AND EVALUATE WHETHER THEY ARE APPROPRIATE FOR THEIR PURPOSES. PROSPECTIVE INVESTORS SHOULD FURTHER CONSIDER WHETHER THE BEHAVIOR OF THESE SECURITIES SHOULD BE TESTED BASED ON ASSUMPTIONS DIFFERENT FROM THOSE USED TO PREPARE THE ANALYSES. NOTE TO HISTORICAL DATA: ANY HISTORICAL INVESTMENT RESULTS OF ANY PERSON OR ENTITY DESCRIBED IN THIS SUMMARY ARE NOT INDICATIVE OF THE ISSUER'S FUTURE INVESTMENT RESULTS. SUCH RESULTS ARE INTENDED ONLY TO GIVE POTENTIAL INVESTORS INFORMATION CONCERNING THE GENERAL EXPERIENCE OF THE RELEVANT PERSON OR ENTITY AS AN ASSET MANAGER OR ADVISER AND IS NOT INTENDED AS A REPRESENTATION OR WARRANTY BY MERRILL LYNCH OR ANY OTHER PERSON OR ENTITY AS TO THE ACTUAL COMPOSITION OF OR PERFORMANCE OF ANY FUTURE INVESTMENTS THAT WOULD BE MADE BY THE ISSUER. THE NATURE OF, AND RISKS ASSOCIATED WITH, THE ISSUER'S FUTURE INVESTMENTS MAY DIFFER SUBSTANTIALLY FROM AND WILL BE SUBJECT TO CONSTRAINTS THAT WERE NOT APPLICABLE TO THOSE INVESTMENTS AND STRATEGIES UNDERTAKEN HISTORICALLY BY SUCH PERSONS AND ENTITIES. THERE CAN BE NO ASSURANCE THAT THE ISSUER'S INVESTMENTS WILL PERFORM AS WELL AS, OR IN A MANNER SIMILAR TO, THE PAST INVESTMENTS OF ANY SUCH PERSONS OR ENTITIES. FOR THESE REASONS, THERE ARE LIMITATIONS ON THE VALUE OF THE HYPOTHETICAL ILLUSTRATIONS CONTAINED HEREIN. THIS SUMMARY IS PROVIDED TO YOU ON THE UNDERSTANDING THAT AS A SOPHISTICATED INVESTOR, YOU WILL UNDERSTAND AND ACCEPT ITS INHERENT LIMITATIONS, WILL NOT RELY ON IT IN MAKING ANY INVESTMENT DECISION WITH RESPECT TO ANY SECURITIES THAT MAY BE ISSUED, AND WILL USE IT ONLY FOR THE PURPOSE OF DISCUSSING WITH MERRILL LYNCH YOUR PRELIMINARY INTEREST IN INVESTING IN A TRANSACTION OF THE TYPE DESCRIBED. POTENTIAL INVESTORS ARE URGED TO CONDUCT THEIR OWN INVESTIGATION REGARDING THE UNDERLYING ASSET CLASSES, INCLUDING REVIEWING ANY SOURCES CITED HEREIN AND OBTAINING ADDITIONAL INFORMATION REGARDING THE UNDERLYING COLLATERAL.

FOR U.K. INVESTORS ONLY: THIS DOCUMENT HAS BEEN APPROVED FOR DISTRIBUTION IN THE U.K. BY MERRILL LYNCH INTERNATIONAL, WHICH IS REGULATED BY THE SECURITIES AND FUTURES ASSOCIATION. THE SECURITIES DESCRIBED HEREIN ARE NOT AVAILABLE IN THE U.K. TO PRIVATE INVESTORS AS DEFINED BY THE SECURITIES AND FUTURES ASSOCIATION. THIS DOCUMENT IS ONLY COMMUNICATED TO, AND IS DIRECTED AT, (A) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2001 (THE "ORDER"), (B) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE WITHIN ARTICLE 48(1)(A) OF THE ORDER OR (C) ANY CLIENT OF MERRILL LYNCH INTERNATIONAL BANK LIMITED OR ANY UK AFFILIATE WHO ARE EITHER AN "INTERMEDIATE CUSTOMER" OR "MARKET COUNTERPARTY" FOR THE PURPOSES OF THE FSA HANDBOOK, ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS". IN ADDITION TO BEING AN INTERMEDIATE CUSTOMER, AN INVESTOR MUST ALSO HAVE AT LEAST US\$5 MILLION (OR EQUIVALENT) IN NET INVESTMENTS. THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS ONLY AVAILABLE TO RELEVANT PERSONS.

INVESTING IN COLLATERALIZED DEBT OBLIGATIONS INVOLVES RISKS THAT ARE MORE FULLY DESCRIBED IN THE OFFERING CIRCULAR