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### **Kleros Real Estate I CDO Term Sheet**

Merrill Lynch International

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June 2006  
Pricing Information

Please review the "Important Notice" in the marketing book.

<b>THE OFFERING:</b> \$998.7 MM Collateralized Debt Obligation ("Kleros") Notes and Preferred Shares issued by Kleros Real Estate CDO I <sup>(1)</sup>	 <b>Kleros Real Estate CDO I</b> <b>Strategos</b> CAPITAL MANAGEMENT, LLC	<b>COLLATERAL ADVISOR:</b> STRATEGOS CAPITAL MANAGEMENT, LLC
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	CLASS A-1 NOTES <sup>(1)(2)</sup>	CLASS A-2 NOTES <sup>(1)(2)</sup>	CLASS B NOTES <sup>(1)(2)</sup>	CLASS C NOTES <sup>(1)(2)</sup>	CLASS D NOTES <sup>(1)(2)</sup>	PREFERRED SHARES <sup>(1)(2)</sup>
Principal	\$900,000,000	\$30,000,000	\$18,700,000	\$20,000,000	\$26,000,000	\$4,000,000
% of Liabilities	90.1%	3.0%	1.9%	2.0%	2.6%	0.4%
Coupon Type	Floating	Floating	Floating	Floating	Fixed	N/A
Spread/Coupon	1mL + 0.22%	1mL + 0.40%	1mL + 0.50%	1mL + 0.60%	1%	Residual
Expected Rating	Aaa/AAA <sup>(4)</sup>	Aaa/AAA <sup>(4)</sup>	Aa2/AA <sup>(4)(4)</sup>	Aa3/AA <sup>(4)</sup>	Ba1/BB <sup>(4)</sup>	Not Rated
Rating Agency	Moody's/S&P	Moody's/S&P	Moody's/S&P	Moody's/S&P	Moody's/S&P	N/A
Average Life <sup>(3)</sup>	4.2	5.5	5.5	5.5	5.5	N/A
Stated Maturity	1st October, 2046	1st October, 2046	1st October, 2046	1st October, 2046	1st October, 2046	N/A
Denomination	\$250,000 min \$1,000 incr	\$250,000 min \$1,000 incr	\$250,000 min \$1,000 incr	\$250,000 min \$1,000 incr	Securities Retained by Alesco Loan Holding Trust	Securities Retained by Alesco Loan Holding Trust

- (1) Definitions and other terms will be fully described in the Offering Circular. Please see "Transaction Highlights - Structuring Assumptions" for a description of modeling assumptions.
- (2) Payments on the Notes and Preferred Shares will be made monthly.
- (3) Based on an 8 year auction call. See "Transaction Highlights" in the Confidential Discussion Material for a description on modeling assumptions.
- (4) 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."

For further important information, please see "Kleros Real Estate CDO I Portfolio - Transaction Highlights" in the marketing book.

**STRUCTURE**

Issuer:	Kleros Real Estate CDO I
Collateral Advisor:	Strategos Capital Management, LLC
Closing Date:	30 <sup>th</sup> June, 2006
Coupon Payment Dates:	Monthly
Ramp Up Period:	None, 100% ramped at closing.
Non Call Period:	3 years
OC Test Cures:	In the event that a Class A/B/C Overcollateralization Test is breached in the interest waterfall, interest will be used first to pay down the Class A-1 Notes, then the Class A-2 Notes, then the Class B Notes and finally the Class C Notes. In the event that a Class A/B/C Overcollateralization Test is breached in the principal waterfall, principal will be used to pay down the most senior outstanding Class of Notes.
Reinvestment Period:	3 years
Auction Call:	8 years - Class D Notes and Preference Share IRR for successful auction call: 7% in years 8-9; 4% in years 10-11; and 2% thereafter
Deleveraging Structure:	Principal amortization will be used to pay down the Notes on a pro rata basis until either 50% of the collateral has amortized or the Sequential Pay Ratio is triggered, or if any overcollateralization test is not satisfied. If pro rata paydowns have been stopped due to non-compliance with an overcollateralization test, pro rata paydowns may commence when compliance with such overcollateralization test has been restored. In the event that either 50% of the collateral has amortized or the Sequential Pay Ratio is breached, the deal will permanently pay down the Notes in Sequential order.

COLLATERAL ASSUMPTIONS	Portfolio Target	COLLATERAL ASSUMPTIONS	Portfolio Target
Minimum Weighted Average Coupon	5.75%	Maximum Weighted Average Life	7 Years
Minimum Weighted Average Floating Spread	0.52%	Maximum Single Issuer Concentration	1.0% <sup>(2)</sup>
Minimum/Maximum % Fixed	20/25%	Maximum Single Servicer Concentration	7.5% <sup>(2)</sup>
Maximum Weighted Average Rating	95 (A1/A2) <sup>(1)(7)</sup>	Maximum Asset Correlation	0.21 <sup>(1)(7)</sup>

For further important information, please see "Kleros Real Estate CDO I Portfolio - Transaction Highlights" in the marketing book.

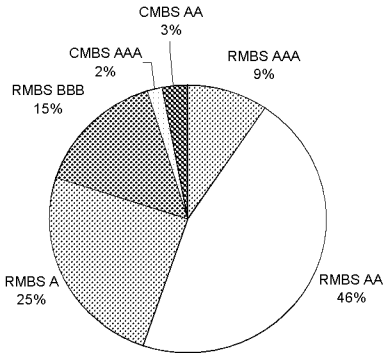
COVERAGE TESTS	Test Level <sup>(1)</sup>	Initial <sup>(4)</sup>	MANAGEMENT FEE STRUCTURE
Sequential Pay Ratio	106.03%	107.53%	Management Fee <sup>(6)</sup> : 3.0 bps per annum
Class A/B/C Overcollateralization Test	102.23%	103.23%	Closing Fees <sup>(6)</sup> : ****

- (1) 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) With a limited number of exceptions.
- (3) Test Level represents the levels that must be passed in order not to cause accelerated redemption of the Notes.
- (4) Initial represents expected characteristics of target portfolio.
- (5) On the Closing Date, the Co-Issuers will use a portion of the gross proceeds from the offering to pay various fees and expenses, including expenses, fees and commissions incurred in connection with the acquisition of the Collateral, upfront fees to the Collateral Manager, structuring and placement agency fees payable to Merrill Lynch and legal, accounting, rating agency and other fees. Closing fees and expenses reduce the amount of the gross proceeds of the offering available to purchase Collateral and, therefore, the return to purchasers of the 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.
- (6) This fee will only be paid if neither Strategos nor any of its affiliates is the Collateral Advisor.
- (7) Subject to Rating Matrix.

For further important information, please see "Kleros Real Estate CDO I Portfolio - Transaction Highlights" in the marketing book.

For Further Information, Please Contact:		
Global Structured Products	CDO Marketing/Global Structured Products	ABS Trading and Syndicate
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**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.

Please see "Kleros CDO Real Estate Portfolio - Portfolio Composition for Illustrative Purposes" in the marketing book for further information on the representative portfolio.

**About Strategos CDO Management <sup>(1)</sup>**

- **Strategos Capital Management, LLC**, a Delaware limited liability company 100% owned by Cohen Brothers, LLC ("Cohen" or "Cohen Bros.") and its principals, will serve as Collateral Advisor for Kleros Real Estate CDO I
- Cohen Bros. has grown to become one of the leading research houses and investment banks dedicated to the small and medium size financial services market. The firm currently employs over 70 professionals, with offices in Philadelphia, New York and Paris
- Cohen Bros. draws on the many years of success of its employees and principals in the financial services and real estate sectors to provide specialized research and investment opportunities to institutions and sophisticated individuals
- The award winning research analysts and credit underwriters at Cohen Bros. are experienced in the bank, insurance, real estate and specialty finance industries from both an evaluation and management perspective
- Cohen Bros. was ranked the #1 CDO asset manager from 2004-2005 with over \$9.9 billion in securities originated <sup>(2)</sup>
- Strategos currently has \$2.6 billion in ABS CDOs under management and has been the advisor on approximately \$4.8 billion of whole loan mortgage acquisitions and securitizations <sup>(3)</sup>.

(1) There can be no assurance that the professionals currently employed by Petra or any of its affiliates will continue to be employed by Petra 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.

(2) Asset-Backed Alert (December 30, 2005) [www.ABAlert.com](http://www.ABAlert.com); ranked by amount of securities originated.

(3) Cohen Bros. currently has a servicing agreement with Taberna Realty Finance Trust.

Please see "About the Collateral Manager - Introduction to Strategos CDO Management" in the marketing book for further information on the Collateral Manager.

**Break in Yield and 0% Yield Default Rates <sup>(1)(2)(3)(4)</sup>**

BREAK IN YIELD AND 0% YIELD DEFAULT RATES	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 Floating Notes (Aaa/AAA)	7.4%	25.7%	40.1%	71.6%
Class A-2 Second Priority Senior Floating Notes (Aaa/AAA)	5.2%	19.3%	8.8%	29.3%
Class B Third Priority Senior Floating Rate Notes (Aa2/AA)	4.0%	16.1%	7.3%	29.3%
Class C Fourth Priority Senior Floating Rate Notes (Aa3/AA-)	1.6%	7.9%	6.4%	23.0%

- (1) "Break in yield" is the default rate at which the first dollar loss in promised coupon or principal occurs, and "0% Yield" is the default rate at which total cashflow received does not equal initial investment. Please see Appendix A for a description of Collateral Cashflow Formulas.
- (2) Assuming annual constant defaults beginning immediately, 75% recovery rate, forward LIBOR. Please see "Transaction Details - Structuring Assumptions" for a description of modeling assumptions. Assumes an initial weighted average spread of 0.54% for original and reinvested collateral and initial weighted average coupon of 5.77% for original and reinvested collateral.
- (3) Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each quarterly Distribution Date. Defaulted assets are assumed to be sold immediately at a price equal to the applicable recovery rate.
- (4) Future market and economic conditions are impossible to predict. Future market or historical economic conditions that materially differ from those on which the assumptions are based may have a negative impact on the performance of Kleros Real Estate CDO. For these reasons, there are limitations on the value of this or any hypothetical illustration. This information is not intended to be either an express or implied guaranty of investment performance. See "Important Notice" at the beginning of the Material.

Please see "Transaction Highlights - Structuring Assumptions" in the marketing book for further information on Break in Yield and 0% Yield Default Rates.

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.

Please review "Section 4 - Risk Factors" and "Section 6 - 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.

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 undisclosed investment in a foreign entity. Investors should direct their attention to the Tax Considerations section of the Confidential Discussion Material.