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Lakeside II CDO Term Sheet

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Final Information

THE OFFERING:
\$1501.5 million Collateralized Debt
Obligation ("CDO") Notes and Preferred
Shares issued by Lakeside CDO II, LTD



COLLATERAL MANAGER:
Vanderbilt Capital Advisors, LLC

	CLASS A1 NOTES ⁽¹⁾	CLASS A2 NOTES ⁽¹⁾	CLASS B NOTES ⁽¹⁾	CLASS C NOTES ⁽¹⁾	PREFERRED SHARES ⁽¹⁾
Principal	\$1,170,000,000	\$279,900,000	\$15,000,000	\$15,000,000	\$21,600,000
Percentage	78.0%	18.7%	1.0%	1.0%	1.3%
Coupon Type	Floating	Floating	Floating	Floating	Residual
Coupon/Spread	L+38	Not Offered	L+165	L+325	
Rating	Aaa/AAA/AAA	Aaa/ IAAA	A3/A-/A-	Baa2/BBB/BBB	Not Rated
Rating Agency	(Moody's/S&P/Fitch)	(Moody's/S&P/Fitch)	(Moody's/S&P/Fitch)	(Moody's/S&P/Fitch)	N/A
Average Life ⁽²⁾	5.5 yrs.	8.5 yrs.	8.5 yrs.	8.3 yrs.	N/A
Legal Maturity	January 2, 2040	January 2, 2040	January 2, 2040	January 2, 2040	January 2, 2040
Denomination	\$500,000 minimum \$1,000 increments	\$500,000 minimum \$1,000 increments	\$250,000 minimum \$1,000 increments	\$250,000 minimum \$1,000 increments	\$100,000 minimum \$1,000 increments

⁽¹⁾ Payments on the Notes and Preferred Shares will be made quarterly.
⁽²⁾ See "Transaction Highlights" in the Confidential Discussion Material for a description on modeling assumptions.

STRUCTURE

Issuer:	Lakeside CDO II, LTD
Collateral Manager:	Vanderbilt Capital Advisors, LLC
Closing Date:	March 31, 2004
Coupon Payment Dates:	Quarterly, beginning October 2, 2004
Static Pool Transaction:	At least 25% of the portfolio has been purchased or identified by closing
Non Call Period:	3 years (thereafter, all of the Notes and Preferred Shares may be called by a majority vote of the Preferred Shares)
Reinvestment Period:	None. Immediate principal amortization
Trading:	No discretionary trading; Manager can sell Credit Risk Securities and proceeds are used to pay down the most senior tranche
Auction Call:	8.5 years
Equity Cap	Equity is capped at a 15% dividend yield and the excess cash that would otherwise be paid to the equity is used to pay down the principal of the Class C Notes.

COLLATERAL ASSUMPTIONS

Portfolio Target

Weighted Average Coupon	5.00%
Weighted Average Reset Margin	0.79%
Maximum % Fixed	20%
Maximum Weighted Average Rating ⁽¹⁾	27 (Aa2/Aa3) ⁽²⁾
Diversity Score	>= 20 ⁽¹⁾
Minimum Collateral Rating	A3
Max Weighted Average Life	7.5 Years
Maximum Single Issuer Concentration	2.0%
Max. Amount of Collateral Obligations Rated Below Aaa	55.0%
Max. Amount of Collateral Obligations Rated "A1", "A2", "A3"	10.0%
Maximum CDOs	50.0%
Max. Amount of Corporate CDOs/Synthetics	10.0%
Maximum Single Servicer Concentration	7.5%

⁽¹⁾ For purposes of calculating the Moody's rating factor, any Collateral Obligation that has been placed and remains on positive/negative credit watch will be deemed to have a Moody's rating of the next higher/lower rating subcategory respectively.
⁽²⁾ Based on a Ratings Matrix which is further discussed in the Offering Circular

COVERAGE TESTS

	Test Level ⁽¹⁾	Initial ⁽²⁾		Test Level ⁽¹⁾	Initial ⁽²⁾
Class C Overcollateralization Test	100.25%	101.36%	Class C Interest Coverage Test	104.75%	122.00%

⁽¹⁾ Test Level represents the levels that must be passed in order not to cause accelerated redemption of the Notes.
⁽²⁾ Initial represents expected characteristics of target portfolio.

MANAGEMENT FEE STRUCTURE

Senior Management Fee:	10.0 bps per annum
Subordinated Management Fee	9.0 bps per annum
Incentive Fee	25% of the equity cashflows once an IRR of 15% is achieved

For Further Information, Please Contact:

Global Structured Products	CDO Marketing/Global Structured Products	ABS Trading and Syndicate
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INVESTMENT HIGHLIGHTS⁽¹⁾

- Lakeside CDO II will be primarily backed by Aaa and Aa rated CDO and ABS Securities – Residential Mortgage Backed Securities (“RMBS”), and Collateralized Debt Obligations (“CDOs”).
- Structured Finance Securities (RMBS, ABS) have historically exhibited lower default rates, higher recovery rates upon default and better stability when compared to corporate bonds with similar ratings

(1) See Structured Finance Market Overview Section in the Confidential Discussion Material

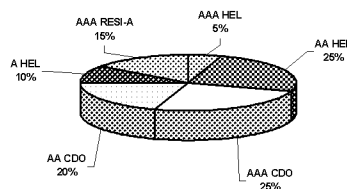
COLLATERAL MANAGER⁽¹⁾

Vanderbilt Capital Advisors (“VCA”) is a registered investment advisor under the Investment Advisors Act of 1940. VCA is a research-driven firm with longstanding experience in structured fixed income products and asset backed securities.

- Vanderbilt Capital Advisors manages \$3.75 Billion in both short duration and total investment grade fixed-income portfolios.
- Lakeside CDO II will be Vanderbilt’s fourth ABS CDO.
- The three previous CDO’s, Bristol CDO I, Ltd., Grand Central CDO I, Ltd. and Lakeside CDO I were for \$302MM, \$300MM and \$800mm respectively.

(1) Source: Provided by Vanderbilt Capital Advisors.

REPRESENTATIVE COLLATERAL MIX



BREAK-EVEN DEFAULT RATES⁽¹⁾

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 Notes (Aaa/AAA/AAA)	11.1%	46.8%	20.8%	68.0%
Class A-2 Second Priority Senior Secured Floating Rate Notes (Aaa/ /AAA)	1.8%	10.0%	5.0%	25.2%
Class B Third Priority Senior Floating Rate Notes (A3/ A-/A-)	1.5%	8.4%	1.7%	9.5%
Class C Fourth Priority Mezzanine Floating Rate Notes (Baa2/BBB/BBB)	1.0%	5.7%	1.3%	7.6%

(1) Assumes constant annual default rate beginning immediately, 60% immediate recoveries and forward LIBOR

THIS SUMMARY OUTLINES CERTAIN CHARACTERISTICS OF A COLLATERALIZED DEBT OBLIGATION TRANSACTION (“CDO”). THIS SUMMARY IS A SUMMARY OF THE “CONFIDENTIAL DISCUSSION MATERIAL RELATING TO LAKESIDE CDO II, (THE “CONFIDENTIAL DISCUSSION MATERIAL”) AND SHOULD BE READ IN CONJUNCTION THEREWITH, INCLUDING “TRANSACTION HIGHLIGHTS – STRUCTURING ASSUMPTIONS” THERETO. THIS MATERIAL IS PRESENTED SOLELY FOR PURPOSES OF DISCUSSION TO DETERMINE PRELIMINARY INTEREST IN INVESTING IN A TRANSACTION WITH THE GENERAL CHARACTERISTICS DESCRIBED. THIS MATERIAL WILL BE SUPERSEDED IN ITS ENTIRETY BY A FINAL OFFERING CIRCULAR (THE “OFFERING CIRCULAR”) WHICH WILL BE PREPARED BY THE ISSUER AND WHICH WILL CONTAIN MATERIAL INFORMATION NOT CONTAINED HEREIN AND TO WHICH PROSPECTIVE PURCHASERS ARE REFERRED. THIS TRANSACTION IS AT A STRUCTURING PHASE AND THERE MAY BE MATERIAL CHANGES TO THE STRUCTURE AND COLLATERAL PRIOR TO THE SECURITIES BEING OFFERED (ANY SUCH SECURITIES, THE “OFFERED SECURITIES”). UNDER NO CIRCUMSTANCES IS THIS PRESENTATION TO BE USED OR CONSIDERED AS AN OFFER TO SELL, OR A SOLICITATION OF ANY OFFER TO BUY, ANY SECURITY. ANY SUCH OFFERING MAY BE MADE ONLY BY THE OFFERING CIRCULAR. THE INFORMATION CONTAINED HEREIN IS IN SUMMARY FORM FOR CONVENIENCE OF PRESENTATION. IT IS NOT COMPLETE AND IT SHOULD NOT BE RELIED UPON AS SUCH. THE INFORMATION SET FORTH HEREIN WAS GATHERED FROM VARIOUS SOURCES WHICH MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (“MERRILL LYNCH”) BELIEVES, BUT DOES NOT GUARANTEE, TO BE ACCURATE. THIS MATERIAL INCLUDES ILLUSTRATIVE PERFORMANCE INFORMATION THAT IS BASED IN PART ON HYPOTHETICAL ASSUMPTIONS. SUCH RESULTS ARE PRESENTED FOR ILLUSTRATIVE PURPOSES ONLY AND ARE BASED ON VARIOUS ASSUMPTIONS, NOT ALL OF WHICH ARE DESCRIBED HEREIN OR IN THE CONFIDENTIAL OFFERING MATERIALS. NO REPRESENTATION OR WARRANTY IS MADE BY MERRILL LYNCH OR VANDERBILT CAPITAL ADVISORS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS OR AS TO ANY OTHER FINANCIAL INFORMATION CONTAINED IN THE RELATED MODELS (INCLUDING THE ASSUMPTIONS ON WHICH THEY ARE BASED). THESE ASSUMPTIONS HAVE CERTAIN INHERENT LIMITATIONS, AND WILL BE AFFECTED BY ANY CHANGES IN THE STRUCTURE OR ASSETS FOR THIS TRANSACTION. THE ACTUAL PERFORMANCE OF ANY SECURITIES ISSUED WILL DIFFER, AND MAY DIFFER SUBSTANTIALLY, FROM THAT SET FORTH IN THE ATTACHED ILLUSTRATIONS. 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 ATTACHED MATERIAL 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. NEITHER MERRILL LYNCH NOR VANDERBILT CAPITAL ADVISORS ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR VALIDITY OF THE RESULTS OF ANY MODELS. THE HISTORICAL RETURNS OF CERTAIN VANDERBILT CAPITAL ADVISOR FUNDS DISCLOSED HEREIN ARE FOR UNLEVERED FUNDS AND ACCOUNTS WITH CAPITAL STRUCTURES AND INVESTMENT RESTRICTIONS SIGNIFICANTLY DIFFERENT FROM THE STRUCTURE CONTEMPLATED HEREIN AND THE PERFORMANCE OF SUCH FUNDS IS NOT INDICATIVE OF THE PERFORMANCE OF THE PROPOSED TRANSACTION. IN ANY EVENT, PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE. THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND MAY NOT BE REPRODUCED IN WHOLE OR IN PART. MERRILL LYNCH, UPON REQUEST, MAY MAKE AVAILABLE SUCH OTHER INFORMATION AS MAY BE REASONABLY REQUESTED. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE TO BE CONTAINED IN THE OFFERING CIRCULAR REGARDING THE EVENTUAL OFFERING, IF ANY, OF THE OFFERED SECURITIES. ANY INVESTMENT IN OFFERED SECURITIES IS SUBJECT TO VARIOUS RISKS THAT WILL BE DESCRIBED IN THE OFFERING CIRCULAR TO BE DISTRIBUTED TO PROSPECTIVE INVESTORS PRIOR TO ANY INVESTMENT IN OFFERED SECURITIES; SUCH RISKS SHOULD BE CAREFULLY CONSIDERED BY PROSPECTIVE INVESTORS BEFORE THEY MAKE ANY INVESTMENT DECISION. THE OFFERED SECURITIES DESCRIBED HEREIN, WHEN AND IF OFFERED, WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE “1933 ACT”) OR ANY STATE OR FOREIGN SECURITIES LAWS. THE ISSUER WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940 (THE “1940 ACT”), AND THE OFFERED SECURITIES WILL BE OFFERED AND SOLD ONLY TO (A) “QUALIFIED PURCHASERS” (AS DEFINED IN THE 1940 ACT) THAT ARE EITHER (1) “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A UNDER THE 1933 ACT) OR (2) “ACCREDITED INVESTORS” (WITHIN THE MEANING OF RULE 501(A)(1) UNDER THE 1933 ACT) OR (B) NON-U.S. PERSONS WHO PURCHASE OUTSIDE THE UNITED STATES PURSUANT TO REGULATIONS UNDER THE 1933 ACT. NEITHER MERRILL LYNCH NOR ANY OF ITS AFFILIATES MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN AND NOTHING CONTAINED HEREIN SHALL BE RELIED UPON AS A PROMISE OR REPRESENTATION AS TO PAST OR FUTURE PERFORMANCE. ALL INFORMATION HEREIN REGARDING VANDERBILT CAPITAL ADVISORS OR ITS AFFILIATES (INCLUDING WITHOUT LIMITATION, PERFORMANCE INFORMATION), HAS BEEN PROVIDED TO MERRILL LYNCH BY VANDERBILT CAPITAL ADVISOR. INFORMATION AND MATERIAL RELATING SPECIFICALLY TO VANDERBILT CAPITAL ADVISORS HAS BEEN PROVIDED BY VANDERBILT CAPITAL ADVISORS. NEITHER MERRILL LYNCH NOR ANY OF ITS AFFILIATES HAS INDEPENDENTLY VERIFIED ANY SUCH INFORMATION AND MATERIALS, AND NEITHER MERRILL LYNCH NOR ANY OF ITS AFFILIATES IS HELD RESPONSIBLE FOR ANY SUCH INFORMATION AND MATERIALS. AN INVESTMENT IN THE OFFERED SECURITIES INVOLVES CERTAIN RISKS. PRIOR TO INVESTING, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE RISKS, WHICH WILL BE DESCRIBED IN THE OFFERING CIRCULAR, AND SHOULD CONSULT THEIR INVESTMENT ADVISORS, AND TAX, LEGAL, ACCOUNTING, OR OTHER REGULATORY ADVISORS. AN INVESTMENT IN THE OFFERED SECURITIES PRESENTS SUBSTANTIAL RISKS AND INVESTORS SHOULD BE PREPARED TO SUFFER A LOSS OF THEIR ENTIRE INVESTMENT. FORWARD LOOKING STATEMENTS: ANY ILLUSTRATIONS, SCENARIOS, FORECASTS AND ESTIMATES CONTAINED HEREIN ARE FORWARD LOOKING STATEMENTS AND ARE BASED UPON CERTAIN ASSUMPTIONS DESCRIBED HEREIN. IT CAN BE EXPECTED THAT SOME OR ALL OF THE ASSUMPTIONS UNDERLYING THE ILLUSTRATIONS OR SCENARIOS WILL NOT MATERIALIZE OR WILL VARY SIGNIFICANTLY FROM ACTUAL RESULTS. ACTUAL RESULTS MAY VARY FROM THE RESULTS ILLUSTRATED HEREIN AND THE VARIATIONS MAY BE MATERIAL.