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Volans 2007-1 CDO Pitch Book on a Mezzanine ABS CDO

Vero CM

Volans Funding 2007-1

Mezzanine ABS CDO

VERO CM

February 2007

Preliminary
Investor Presentation

CALYON
CRÉDIT AGRICOLE CIB

IMPORTANT NOTICE

The following materials present information regarding a proposed offering of securities (the "Securities"), by Volans Funding 2007-1, Ltd., a newly formed special purpose vehicle (the "Issuer"), to finance its acquisition of a portfolio of structured finance assets to be selected and managed by the portfolio manager referred to herein as VERO Capital management, LLC ("VERO" or the "Manager"). These materials have been prepared to provide preliminary information about the Securities and the transactions described herein to a limited number of sophisticated prospective investors, for the sole purpose of assisting them to determine whether they have an interest in obtaining further information about the Securities. These materials are not the product of any CALYON research department and any views, commentary or opinions expressed herein are not those of any CALYON research analyst. By accepting delivery of these materials, each recipient hereof agrees to the foregoing.

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Any offer or solicitation with respect to the Securities will be made solely by means of a definitive offering document. Such definitive offering document (the "Offering Circular") will describe the actual terms of the Securities and will contain material information regarding the Securities and the transactions described herein that is not contained in these materials. Any decision to invest in the Securities must be based solely on the information in the Offering Circular and not on the information in these materials. None of VERO, CALYON, or any of their respective affiliates expect to update or otherwise review the information contained herein except by means of the Offering Circular with respect to the Securities.

The Securities are not suitable investments for all investors and nothing in these materials should be construed as a recommendation to invest in the Securities or as legal, regulatory, tax, accounting, investment or other advice. The Securities are complex financial instruments and an investment in them presents certain risks. An investor must be sufficiently sophisticated to understand the Securities and must be able to bear the risks associated with an investment in them, which include, among other things, the risk of loss of all or substantially all of the investment. Certain of these risks are summarized in the risk factors section of these materials, and a more complete discussion of them may be found in the Offering Circular. An investor should invest in the Securities only after carefully reviewing the Offering Circular (including the risk factors section and notices to investors therein), conducting such investigations as the investor deems necessary and consulting with the investor's own advisors in order to make an independent determination as to the advisability, suitability and the consequences of such investment.

These materials are not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. The Securities will not be registered under the U.S. Securities Act of 1933 (as amended, the "Securities Act") and the Issuer will not be registered under the U.S. Investment Company Act of 1940 (as amended, the "Investment Company Act"). Accordingly, these materials are not intended for distribution to any person in the United States or to or for the account of any "U.S. person," as defined in Regulation S under the Securities Act, unless such person is (i) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940 and the rules and regulations thereunder and (ii) either a "qualified institutional buyer," as defined in Rule 144A under the Securities Act, or, solely in the case of the Preferred Shares, an institutional "accredited investor," as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act. For the purposes of Section 21 Financial Services and Markets Act 2000 (the "Act"), the content of this communication has been approved by CALYON, an authorized person under the Act. This communication is only directed at "market counterparties" or "intermediate customers" within the meaning of the Rules of the Financial Services Authority. Any investment to which this communication relates is only available to such persons. This communication should not be relied on by any other person. In other EEA countries, these materials are available for distribution only to persons regarded as professional investors (or the equivalent) in their home jurisdiction. Initial investors in the certificated Securities (i.e., the Preferred Shares sold to U.S. persons) and subsequent transferees of certificated Securities will be required to execute and deliver a letter containing certain representations and agreements. Initial investors in beneficial interests in the global Securities, and any subsequent transferees of such beneficial interests will be deemed to have made certain representations and agreements in connection with their purchase.

IMPORTANT NOTICE

Forward-looking information contained in these materials is subject to certain inherent limitations. Such information is not purely historical in nature and may include, among other things, expected structural features, anticipated ratings, proposed or target portfolio composition, proposed diversification or sector investment, specific investment strategies and forecasts of future market or economic conditions. The forward-looking information contained herein is based upon certain assumptions, which are unlikely to be consistent with, and may differ materially from, actual events and conditions. In addition, not all relevant events or conditions may have been considered in developing such assumptions. Accordingly, actual results will vary and the variations may be material. Prospective investors should understand such assumptions and evaluate whether they are appropriate for their purposes. These materials may also contain historical market data; however, historical market trends are not reliable indicators of future market behavior.

Hypothetical or illustrative performance information contained in these materials may not be relied upon as a promise, prediction or projection of future performance and are subject to significant assumptions and limitations. Such information, which may include hypothetical or illustrative returns, break-even default rates or cash-flows, is generated using a mathematical model of the transaction described herein and is intended only to illustrate hypothetical performance of the transaction given certain assumptions (whether or not stated herein). The limitations of hypothetical or illustrative performance information, as well as certain of the assumptions used in deriving such information, are discussed further herein.

The information set forth herein includes estimates and projections and involves significant elements of subjective judgment and analysis. No representations are made as to the accuracy of such estimates or projections or that all assumptions relating to such estimates or projections have been considered or stated or that such estimates or projections will be realized.

Information in these materials about the Manager, its affiliates and their personnel and the historical performance of portfolios it has managed has been supplied by the Manager to provide prospective investors with information as to its general portfolio management experience and may not be viewed as a promise or indicator of the Issuer's future results. Such information and its limitations are discussed further herein.

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Additional information is available upon request. Clients should contact CALYON representatives in their home jurisdictions unless applicable law permits otherwise.

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Note: When reviewing these materials, please refer to the Important Notice and the risk factors section herein. The information presented herein is subject to change. The actual capital structure, portfolio composition, trading guidelines, portfolio parameters, priority of payments, and structural features of the transaction, which may vary significantly from the information herein as a result of rating agency requirements, market conditions and other factors, will be described in the Offering Circular.

I. Executive Summary

Executive Summary

These materials discuss an opportunity to invest in the securities of Volans Funding 2007-1, Ltd. ("Volans") in connection with a USD [1.1] billion collateralized debt obligation transaction. The rated notes issued by Volans will be secured by a portfolio of structured finance assets with a target WARF of [475], consisting primarily of U.S. dollar-denominated Residential Mortgage Backed Securities ("RMBS"), Commercial Mortgage Backed Securities ("CMBS"), ABS CDO securities and CDS of RMBS/CMBS/ABS, that will be managed by VERO Capital Management, LLC ("VERO").

VERO Capital Management*

- The Firm: VERO Capital Management ("VERO") is a fixed income alternative asset management firm whose core expertise is structured finance. The firm is dedicated to a thorough, quantitative and transparent investment platform. VERO has invested substantial resources to develop an integrated suite of proprietary analytical systems to support its process driven investment platform.
- Experienced Senior Management: The founding members have been involved in ABS and collateral since the inception of the US ABS market. They have worked together in highly volatile global trading and structuring capital markets. Each member of VERO's portfolio management team brings an average of over 15 years of experience within fixed income, with expertise in one or more of the following areas: structured and leveraged credit, portfolio management, structuring, underwriting, trading and legal.
- CDO Deal Platform Strategy: VERO's CDO investment platform achieves the following: return objectives while balancing downside risk, active dialogue among the firm's portfolio management team, timely ramp of assets subject to portfolio objectives, minimal ratings drift through active management and use of effective hedges. VERO's CDO platform restricts illiquid assets, excludes inappropriate asset classes and minimizes A/L mismatches.
- Detailed Portfolio Construction Process: VERO has a replicable portfolio construction and investment process that includes detailed top down investment strategies, bottom up fundamental credit and collateral analysis, and active granular quantitative analysis that drives incremental and absolute returns.
- Portfolio Optimization and Monitoring: VERO's portfolio selection methodology uses both quantitative and qualitative tools to maximize returns, subject to various downside risk metrics, including VERO's proprietary benchmarks. The profile of each security in each portfolio is analyzed and regularly monitored to evaluate potential exposures to individual and systemic risks. Monte Carlo simulations and scenarios analysis are applied to individual securities and aggregate portfolios to capture potential exposures to idiosyncratic and systemic risks. Thus timely actions can always be undertaken in response to market events.
- Proprietary Analytics: VERO's analytical framework is an integral part of its investment platform that enables systematic analysis and surveillance of investment portfolios. The systems support each key discipline–credit, collateral, trading, markets, structuring, quantitative research, risk, surveillance and legal to provide a comprehensive investment perspective. VERO invested early in systems to ensure a strong fundamental analytical platform and culture.

* All information under this heading has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Executive Summary

Trading guidelines:

- [5] year Reinvestment Period.
- [15]% discretionary trading limit per year.
- Credit Risk assets, Credit Improved assets, and any assets with an average life less than [6] months may be sold at any time (do not count toward discretionary trading limit).

Ramp-up Target:

- It is anticipated that at least [95]% of the collateral will be purchased by closing; [3] months ramp-up period.

Portfolio Composition:

- Max [95]%/Min [75]% CDS assets.
- Min [5]%/Max [25]% Cash assets.
- Target Portfolio Composition:
    - [13.2]% Cash assets
    - [86.8]% CDS assets

Management Fees:

- Senior Management Fee: [10] bps.
- Subordinate Management Fee: up to [5] bps + [5] bps incentive, subject to equity performance triggers.

Auction Call:

- A [monthly] auction call will be conducted beginning in year [8], as long as the redemption proceeds can pay all cumulative interest and principal on the Notes and certain other fees and expenses then outstanding, and subject to the Preferred Shares receiving a minimum IRR as follows: [8]% from the end of year [8] to the end of year [10], [4]% from the end of year [10] to the end of year [12], and [0]% thereafter.

Optional Redemption:

- The Notes are redeemable, as long as the redemption proceeds can pay all cumulative interest and principal on the Notes and certain other fees and expenses then outstanding, by the Issuer, at the direction of a Majority of the Preferred Shares, on any Payment Date after [3] years.

Clean-up Call:

- An automatic clean-up call will be conducted when the collateral outstanding balance is less than or equal to [10]% of the original ramp-up balance, as long as the redemption proceeds can pay all cumulative interest and principal on the Notes and certain other fees and expenses then outstanding, and subject to the Preferred Shares receiving a minimum IRR of [4]%.

Coverage Tests:

- There will be no OC or IC coverage tests.

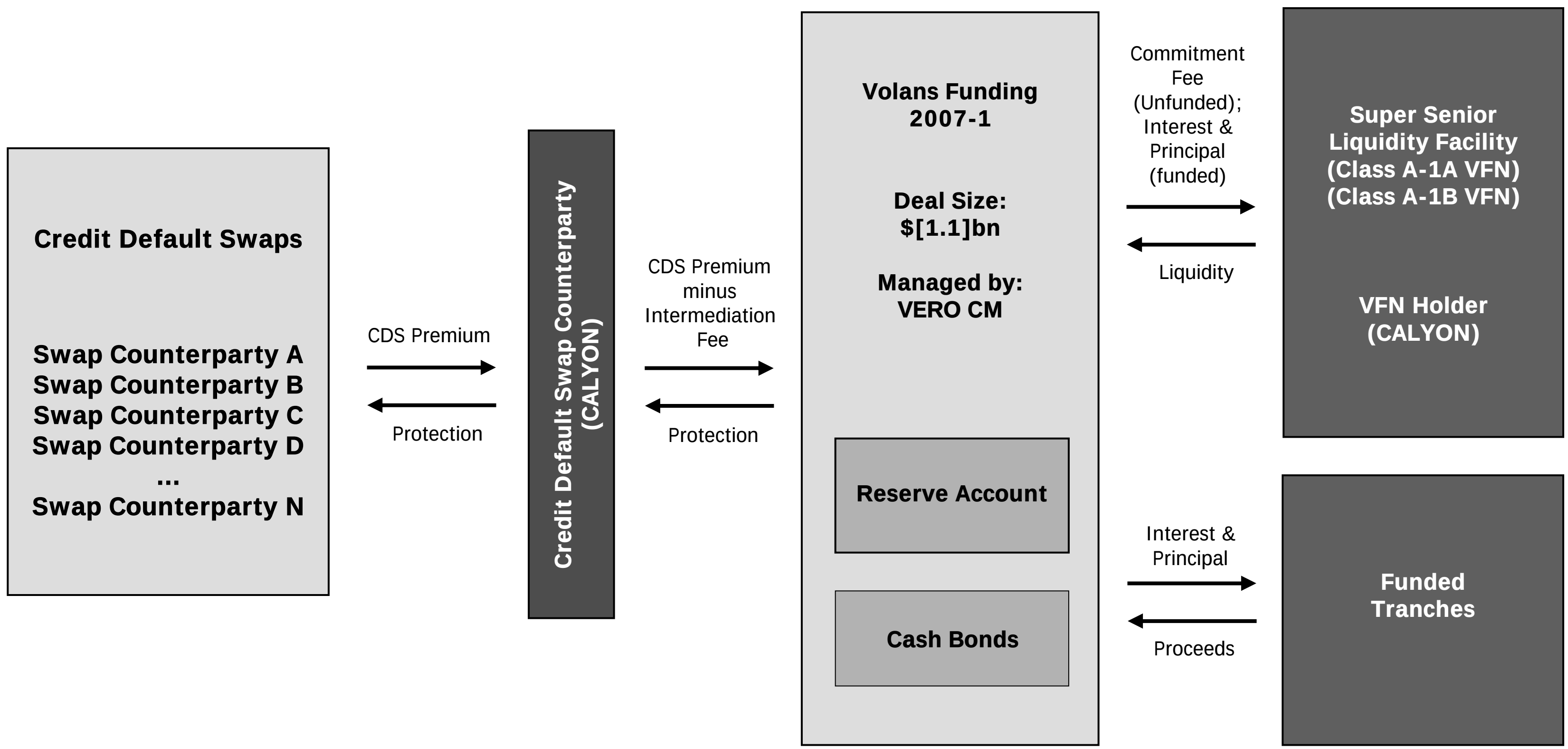
Sequential Pay Trigger:

- During the reinvestment period, if the AAA coverage ratio is less than [112]%, then the reinvestment period will terminate permanently and the deal will amortize sequentially.
- After the reinvestment period, if the AAA coverage ratio is less than [125]%, then the deal will amortize sequentially.

BBB/BBB- Turbo Feature:

- During the reinvestment period, interest proceeds will be used to pay down the principal pro-rata of the Class D, Class E and Class F Notes in an amount up to [0.80]% of the aggregate original notional amount of such Notes, on each payment date.

Transaction Diagram



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II. Transaction Summary

Indicative Capital Structure

Indicative Capital Structure

Class	Rating (M/S/F)	Notional ($)	% Cap Structure	% Subordination	Coupon/Yield	Legal Maturity
Class A-1A VFN	[Aaa/AAA/AAA]	[370,000,000]	[33.64]%	[66.36]%	Not offered	[45] years
Class A-1B VFN	[Aaa/AAA/AAA]	[400,000,000]	[36.36]%	[30.0]%	Not offered	[45] years
Class A-2 Notes	[Aaa/AAA/AAA]	[73,000,000]	[6.64]%	[23.36]%	1mL + [ ]bp	[45] years
Class B Notes	[Aa2/AA/AA]	[71,500,000]	[6.5]%	[16.86]%	1mL + [ ]bp	[45] years
Class C Notes	[A2/A/A]	[47,500,000]	[4.32]%	[12.55]%	1mL + [ ]bp	[45] years
Class D Notes	[Baa2/BBB/BBB]	[63,000,000]	[5.73]%	[6.82]%	1mL + [ ]bp	[45] years
Class E Notes	[Baa3/BBB-/BBB-]	[22,000,000]	[2.0]%	[4.82]%	1mL + [ ]bp	[45] years
Class F Notes	[Baa3/BBB-/BBB-]	[15,000,000]	[1.36]%	[3.45]%	Not offered	[45] years
Pref Shrs	NR	[38,000,000]	[3.45]%			
Total		**[1,100,000,000]**	**[100.00]%**			

Class A-1A VFN and Class A-1B VFN:
- supersenior liquidity facility
- unfunded at closing
- accrues commitment fee of [ ]bp unfunded and coupon of 1mL + [ ]bp funded.

Indicative Term Sheet

Issuer	Volans Funding 2007-1, Ltd., a Cayman Islands exempted company
Issue Date	[March] 2007
Collateral manager	VERO Capital Management
Legal final maturity	[45] years
Reinvestment period	[5] Years
Non-call period	[3] Years
Expected Ramp-up Period	It is anticipated that at least [95]% of the collateral will be purchased by closing; [3] months ramp-up period.
Optional Redemption	The Notes are redeemable, as long as the redemption proceeds can pay all cumulative interest and principal on the Notes and certain other fees and expenses then outstanding, by the Issuer, at the direction of a Majority of the Preferred Shares, on any Payment Date after [3] years.
Auction Call Redemption	A [monthly] auction call will be conducted beginning in year [8], as long as the redemption proceeds can pay all cumulative interest and principal on the Notes and certain other fees and expenses then outstanding, and subject to equity performance triggers.
Clean-up Call	An automatic clean-up call will be conducted when the collateral outstanding balance is less than or equal to [10]% of the original ramp-up balance, as long as the redemption proceeds can pay all cumulative interest and principal on the Notes and certain other fees and expenses then outstanding, and subject to equity performance triggers.
Payment Date	[Monthly] on Notes beginning [June] 2007
Target WARF	[475]
Senior Management Fee	[0.10]%
Subordinate Management Fee	Up to [0.05]% + [0.05]% incentive, subject to equity performance triggers
Trading	[15]% discretionary trading limit per year during the Reinvestment Period. Credit Risk assets, Credit Improved assets, and any assets with an average life less than [6] months may be sold at any time (do not count toward discretionary trading limit).
Trustee	LaSalle

Preliminary Portfolio Parameters

Eligibility Criteria

Non US/Qualifying Foreign Obligor /SPV Jurisdiction securities[2]	Max [5]%
Non USD securities	Max [0]%
Rated at least IG by at least one RA[1]	Min [100]%
Downgraded securities[3]	Max [5]%
Single Issuer AAA to AA-[4(a)]	Max [1.875]%
Single Issuer A+ to A-[4(b)]	Max [1.25]%
Single Issuer BBB+ to BBB-[4(c)]	Max [1.0]%
Avg life per security < 8 yrs	Min [60]%
Avg life per ABS CDO security[5]	Max [10] yrs
Avg life per security (other than ABS CDO security) [5]	Max [13] yrs
Weighted avg life of collateral	Max [6] yrs
Long-dated securities	Max [10]%
Legal final of long-dated securities	Max [50] yrs
CDS on fixed rate assets	Max [15]%
Deemed floating rate assets	Max [15]%
Fixed rate assets other than in CDS form or deemed floaters	Max [0]%
Pure private securities	Max [5]%
Single servicer "Strong" by S&P (w/ 2 exceptions)	Max [20]%
Single servicer "Strong" by S&P, 2 exceptions, each	Max [25]%
Single servicer "Above Avg" by S&P	Max [15]%
Any other single servicer	Max [7.5]%
RMBS+ABS CDO+CMBS	Min [90]%
Other than RMBS+ABS CDO+CMBS	Max [10]%
RMBS Midprime + Subprime + HEL	Min [80]%
RMBS Prime	Max [40]%
RMBS Midprime	Max [65]%
RMBS Subprime	Max [60]%

RMBS Neg Am	Max [7.5]%
RMBS 2nd Lien Exposure	Max [5]%
REIT securities[10]	Max [3]%
CMBS	Max [15]%
CMBS Conduit	Max [15]%
CMBS Large Loan[6]	Max [15]%
CRE CDOs[7]	Max [7.5]%
ABS CDOs[8] (including hybrid ABS CDOs)	Max [10]%
HG ABS CDOs[9] (counts toward ABS CDO bucket; third loss tranche and above only)	Max [5]%
Other CDOs (CBO, CLO, CDO^2, Trups CDO, ST bespoke CDO, MV CDO, EM CDO, Hedge Fund CDO, Private Equity CDO, Black Box CDO, etc.)	Max [0]%
CDO per collateral manager	Max [2.5]%
CDO managed by VERO	Max [0]%
CDO single issuer	Max [1.5]%
Automobile securities (prime)[10]	Max [10]%
Credit card securities (prime)[10]	Max [10]%
Student loan securities	Max [5]%
SBL securities[10]	Max [5]%
Equipment securities[10]	Max [5]%
Minority ABS (overall)[11]	Max [8]%
Minority ABS (per asset category)[11]	Max [3]%
ABX (overall)	Max [5]%
ABX (per series; included in overall bucket)	Max [2]%
PIK securities (excluding ABS CDO and CRE CDO)[12]	Max [0]%
I/O securities	Max [2]%
Pays interest less frequently than quarterly	Max [5]%
Number of assets	Min [120]

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Preliminary Portfolio Parameters

Eligibility Criteria Notes:

1. Every asset must have at least an investment grade rating from at least one of the rating agencies; that is, rated at least BBB- by S&P, or at least BBB- by Fitch, or at least Baa3 by Moody's. In addition, every asset must have a notched "Moody's Rating" of at least Ba3.

2. SPV Jurisdictions: Caymans, Bahamas, Bermuda, Netherlands, Channel Islands or other jurisdiction that is commonly used as the place of organization of SPVs that issue ABS, that generally impose no or nominal tax on such SPV.

3. Each asset in this category at the time of acquisition must be rated at least BBB- by S&P, or at least BBB- by Fitch, or at least Baa3 by Moody's. Each asset must have been downgraded no more than 2 notches from original issuance ratings by either S&P or Moody's, and a maximum of one time each by S&P and Moody's.

4(a). This includes any asset that is rated at least AA- by S&P, or at least AA- by Fitch, or at least Aa3 by Moody's.

4(b). This includes any asset that is rated A+, A or A- by S&P, or rated A+, A or A- by Fitch, or rated A1, A2 or A3 by Moody's. However, it does not include any split rated asset that satisfies the rating requirements in clause (a) above (in which case (a) supersedes (b)).

4(c). This includes any asset that is rated BBB+, BBB or BBB- by S&P, or rated BBB+, BBB or BBB- by Fitch, or rated Baa1, Baa2 or Baa3 by Moody's. However, it does not include any split rated asset that satisfies the rating requirements in clause (a) or (b) above (in which case (a) supersedes (b), and (b) supersedes (c)).

5. With up to [5]% exception.

6. Each asset in this category must be rated at least BBB by S&P, or at least BBB by Fitch, or at least Baa2 by Moody's. Of the [15]% bucket, at least [7.5]% must be rated at least A- by S&P, or at least A- by Fitch, or at least A3 by Moody's.

7. CRE CDOs count towards the [15]% CMBS bucket, and not towards the [10]% ABS CDO bucket. Of the [7.5]% bucket, Max [5.0]% can be assets that are not rated at least A- by S&P, or at least A- by Fitch, or at least A3 by Moody's.

8. Each asset in this category must be rated at least BBB by S&P (if rated by S&P), and at least BBB by Fitch (if rated by Fitch), and at least Baa2 by Moody's (if rated by Moody's). Of the [10]% bucket, at least [7.5]% must be rated at least BBB+ by S&P, or at least BBB+ by Fitch, or at least Baa1 by Moody's.

9. Counts towards the [10]% ABS CDO bucket. Each asset in this category must be rated at least A by S&P (if rated by S&P), and at least A by Fitch (if rated by Fitch), and at least A2 by Moody's (if rated by Moody's).

10. Each asset in these categories must be rated at least BBB by S&P, or at least BBB by Fitch, or at least Baa2 by Moody's.

11. Each asset in these categories (other than ABX or unless otherwise specified) must be rated at least A- by S&P, or at least A- by Fitch, or at least A3 by Moody's.

12. For the avoidance of doubt, Neg Am is not classified as a PIK security.

Preliminary Portfolio Parameters

Permitted Asset Types

Majority ABS:	Minority ABS:
CDO Securities,	Bank Guaranteed Securities,
Automobile Securities,	FHLMC/FNMA Guaranteed Securities,
CMBS Securities,	Floorplan Receivable Security,
Credit Card Securities,	Insurance Company Guaranteed Securities,
Equipment Leasing Securities,	Re-REMICs,
Home Equity Loan Securities,	U.S. Agency Guaranteed Securities,
Residential A Mortgage Securities,	Manufactured Housing Securities,
Residential B/C Mortgage Securities,	REIT Debt Securities,
RMBS Prime Securities,	Time Share Securities,
RMBS Midprime Securities,	Mortgage Finance Company Securities
RMBS Subprime Securities	
Student Loan Securities,	
Small Business Loan Securities,	
ABX	

Indicative Collateral Quality Tests

Moody's WARF	Max [520]
Moody's Correlation Factor (%)	Max [25]
WA Life (Years)	Max [6.0]
WA Spread/CDS Premium (%)	Min [1.83]

Prohibited Asset Types

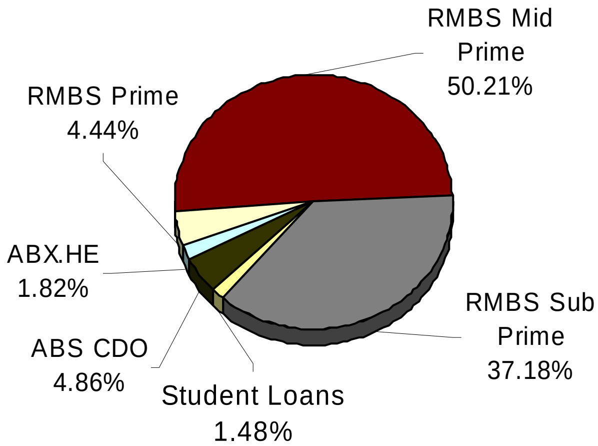
Defaulted Security,
Written-Down Security,
Credit Risk Security,
Non-Libor Floating Rate Security,
Short Synthetic Security,
Catastrophe Bond,
Structured Settlement Security,
Tobacco Bond,
Deferred Interest PIK Bond,
NIM Security,
Mutual Fund Fees Security,
Aircraft Leasing Security,

EETC Security,
Future Flow Security,
Healthcare Security,
Lottery Receivable Security,
Restaurant and Food Services Security,
ABS Natural Resource Receivable Security,
Recreational Vehicle Security,
ABS Container Security,
ABS Chassis Security,
ABS Stadium Security,
ABS Franchise Loan Security,
Guaranteed Corporate Debt Security,

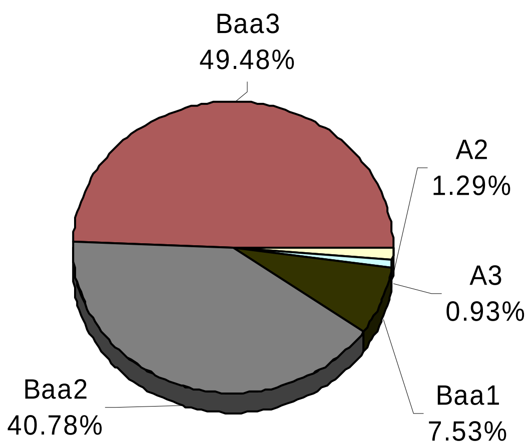
Car Rental Receivable Security,
Oil and Gas Security
Project Finance Security,
Reinsurance Security,
Tax Lien Security,
Hybrid Security,
CMBS Credit Tenant Lease Security,
CMBS Single Property Security,
Equity Security,
Security that accrues interest at a floating rate that moves inversely to a reference rate or index

Target Portfolio Characteristics

Indicative Asset Type Distribution



Indicative Asset Rating Distribution



	Asset Type	Ratings	Target (%)	WARF
CASH	Prime RMBS	A2	0.20%	120
	Prime RMBS	Baa1	0.59%	260
	Prime RMBS	Baa2	0.47%	360
	Midprime RMBS	A3	0.45%	180
	Midprime RMBS	Baa1	2.32%	260
	Midprime RMBS	Baa2	1.04%	360
	Subprime RMBS	A3	0.47%	180
	Subprime RMBS	Baa1	1.43%	260
	Subprime RMBS	Baa2	0.35%	360
	Subprime RMBS	Baa3	1.30%	610
	Student Loans	Baa2	1.48%	360
	ABS CDO	Baa2	3.14%	360
	Total Cash		**13.24%**	**335.4**
SYNTHETIC	Prime RMBS	Baa3	3.18%	610
	Midprime RMBS	Baa1	0.91%	260
	Midprime RMBS	Baa2	21.85%	360
	Midprime RMBS	Baa3	23.64%	610
	ABX.HE	Baa3	1.82%	610
	Subprime RMBS	Baa1	2.27%	260
	Subprime RMBS	Baa2	11.82%	360
	Subprime RMBS	Baa3	19.55%	610
	ABS CDO	A2	1.09%	120
	ABS CDO	Baa2	0.64%	360
	Total Synthetic		**86.76%**	**492.1**
	Total Portfolio		**100.00%**	**471.4**

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Indicative Priority of Payments

Interest Proceeds

On any Payment Date, Interest Proceeds will be distributed as follows:

1. Trustee, Administrative Expenses, and Senior Management Fee
2. Any amounts due to the Swap Counterparties
3. Commitment Fee and Interest, if any, due to (a) first, the Class A-1A VFN and (b) second, the Class A-1B VFN
4. Interest due to the Class A-2 Notes
5. Interest due to the Class B Notes
6. Interest due to the Class C Notes, excluding Deferred Interest but including interest thereon
7. Deferred Interest due to the Class C Notes
8. Interest due to the Class D Notes, excluding Deferred Interest but including interest thereon
9. Deferred Interest due to the Class D Notes
10. Interest due to the Class E Notes, excluding Deferred Interest but including interest thereon
11. Deferred Interest due to the Class E Notes
12. Interest due to the Class F Notes, excluding Deferred Interest but including interest thereon
13. Deferred Interest due to the Class F Notes
14. [The Subordinate Management Fee, [5] bps] or [To pay the Preferred Shares, up to a [12]% current dividend yield] [TBD][1]
15. [The Subordinate Management Fee, [5] bps] or [To pay the Preferred Shares, up to a [12]% current dividend yield] [TBD][1]
16. During the Reinvestment Period, to pay principal pro-rata of the Class D, Class E and Class F Notes in an amount up to [0.80]% of the aggregate original notional amount of such Notes
17. To pay the Preferred Shares, up to a [17]% cumulative IRR*
18. The Subordinate Management Fee, [5] bps*
19. Any remaining Administrative Expenses and any defaulted hedge termination payments due to the Swap Counterparties*
20. Termination Fee to the Collateral Manager if removed without cause*
21. To the Preferred Shares*

Principal Proceeds

On any Payment Date, Principal Proceeds will be distributed as follows:

1. The amounts referred to in clauses (1) through (5) (of Interest Proceeds)
2. To pay down the Funded Amount of (a) first, the Class A-1A VFN, if any, until reduced to $[50.0] million; and (b) second, the Class A-1B VFN, if any, until reduced to $[50.0] million
3. During the Reinvestment Period, reinvestment into collateral at the direction of the collateral manager
4. After the Reinvestment Period, if the Pro Rata Conditions[2] are satisfied, first, sequentially to the amounts referred to in clauses (6), (8), (10) and (12) (of Interest Proceeds), and second, to payment of principal pro-rata to the Class A-1A VFN and Class A-1B VFN (to Reserve Account if there's no Funded Amount), Class A-2 Notes, Class B Notes, Class C Notes (including Deferred Interest), Class D Notes (including Deferred Interest), Class E Notes (including Deferred Interest), and Class F Notes (including Deferred Interest)
5. After the Reinvestment Period, if the Pro Rata Conditions[2] are not satisfied, sequentially as follows: (i) to pay principal of, first, the Class A-1A VFN and, second, the Class A-1B VFN (to Reserve Account if there's no Funded Amount), (ii) to pay principal of the Class A-2 Notes, (iii) to pay principal of the Class B Notes, (iv) to pay amounts in clauses (6) and (7) (of Interest Proceeds), (v) to pay principal of the Class C Notes, (vi) to pay amounts in clauses (8) and (9) (of Interest Proceeds), (vii) to pay principal of the Class D Notes, (viii) to pay amounts in clauses (10) and (11) (of Interest Proceeds), (ix) to pay principal of the Class E Notes, (x) to pay amounts in clauses (12) and (13) (of Interest Proceeds), (xi) to pay principal of the Class F Notes, in each case until paid in full
6. The amounts referred to in clause ([ ]) (of Interest Proceeds)[1]
7. The amounts referred to in clauses (17) through (20) (of Interest Proceeds)*
8. To the Preferred Shares*

* Paid on Quarterly Payment Dates only.

[1] To be determined: In Interest Waterfall, Steps 14 & 15, whether the [5] bp Subordinate Management Fee will be paid before or after the [12]% current dividend yield to the Preferred Shares. Principal Waterfall Step 6 refers to payment of the [5] bp Subordinate Management Fee.

[2] Pro Rata Conditions will be satisfied if (a) the collateral balance has not been reduced to less than [50]% of the ramp-up collateral balance and (b) the Sequential Pay Trigger has not been breached.

III. About the Collateral Manager

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

A. Collateral Manager Overview

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

VERO Capital Management

Overview and Background

- VERO Capital Management was founded in 2003 and is a fully integrated fixed income alternative asset management firm dedicated to client service with a transparent and seamless platform.
- The majority of VERO's investment platform build out was self funded by the founding members who established the firm in 2003. VERO continues to build and improve, a robust, thorough and scaleable investment platform. VERO signed its first CDO mandate in Q2 2005 after its systems were fully operational.
- VERO's comprehensive investment approach includes strong management expertise in ABS, dedication to analytics and its quantitative approach to all investment strategies.

Management Team

- VERO is independently managed and owned and has one of the largest seasoned investment teams dedicated solely to U.S. ABS and structured finance.
- The U.S. team consists of six group managers and eleven principals and analysts. Twelve of these are directly involved in or support the investment decision making process.
- Each member of VERO's portfolio management team brings an average of over 15 years of experience within fixed income asset management, credit and structuring. The members have worked together in several capacities and have expertise in all the key elements of structured finance-underwriting, ratings, asset management, legal and structured credit.

Ownership Structure

- VERO Capital Management, LLC is 80% owned by its members, principals and employees and 20% owned by outside investors.

VERO provides its clients with the following capabilities within structured finance:

- Management of U.S. and offshore structured product vehicles
- Absolute return strategies within structured fixed income
- Enhanced asset and liability capabilities within fixed income
- Portable alpha strategies

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

CDO Deal Platform Strategy

- VERO's CDO strategy includes investment management "best practices" and systems. CDOs are a strategic component of VERO's alternative investment platform. To protect and grow its franchise value, VERO invested early in proprietary analytics and systems and continuously refines them, which enables VERO to minimize downside risks in its portfolios.

- **VERO's CDO investment platform is constructed to:**
  - Meet specific return hurdles while balancing its downside risk
  - Actively manage and minimize ratings drift
  - Enable active dialogue among the firm's key portfolio management disciplines
  - Cautiously and deliberately ramp assets subject to portfolio objectives
  - Minimize asset/liability mismatches and use of costly hedges
  - Restrict illiquid assets and exclude any asset classes that are inappropriate for CDO portfolios
  - Avoid barbell strategies

- VERO's senior management participates alongside senior credit analysts in due diligence meetings with most originators and servicers.

- VERO incorporates optimization models that are based on executing fundamental portfolio objectives.

- The VERO team structures alongside its bankers to construct optimal CDO portfolios for its investors. VERO fully utilizes market intelligence and resources, internal and external, to manage CDOs that satisfy their performance metrics.

- Portfolio decision making is managed across all parts of the capital structure to balance the interests of its equity and debt investors.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

VERO's Investment Philosophy

Focus on Investor Needs

- VERO always executes and manages in partnership with its investors. VERO believes its clients should prosper in all economic and capital market cycles. It focuses on creating investment vehicles that generate stable cash flows, predictable returns with transparent and easily definable Alpha.

Dedicated ABS Platform

- VERO's core discipline is structured finance (ABS) and asset based finance. VERO manages credit oriented, relative and absolute return value strategies based on the core competencies of the firm. The firm only pursues investment strategies and themes for which it has analytics, infrastructure and management expertise.

Remain Disciplined and Thorough in Investment Analysis

- VERO believes in comprehensive analysis to generate incremental returns and supplements securities' ratings with its own internal credit scoring and asset valuation process. VERO generates and re-engineers all bond structures and conducts primary and ongoing due diligence on investment counterparties. VERO believes due diligence should be exhaustive and always draw from internal resources to the fullest extent. There are no shortcuts in this process.

Devote Necessary Resources to Continuously Improve the Investment Platform

- VERO devotes extensive firm-wide resources to the investment platform to continuously improve its processes and analytics.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

CDO Sector Allocation Strategy and Review

- Consistent investment philosophy across all asset sectors drives our decision making process with a strong emphasis on bottom-up fundamental research.

- Early detection of trigger oscillations, OC leakage, cumulative loss triggers, lagging macroeconomic and regional economic issues, loss timing, dynamic structural attributes and credit impairments.

- Avoid asset classes that contain structuring and/or pricing components which make them inappropriate for CDOs. For example:
  - Manufactured Housing
  - Aircraft
  - Mutual Fund Fees
  - Future Flow Deals
  - Tobacco Settlements
  - Healthcare (Nursing Homes/Managed Care Facilities)
  - Timeshares/Condo Conversions
  - Tax Liens
  - Lottery Receivables

- Within the RMBS universe, minimize or avoid exposure to higher risk components. For example:
  - Option arm and negatively amortizing loans
  - Scratch and dent loans
  - Low FICO, high LTV, poorly distributed tail risk and layered risks
  - Weak servicing and origination platforms
  - Position concentrations and unhedged fixed rate bonds
  - Poorly constructed lender paid mortgage insurance

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

VERO's Investment Team is Different

Experienced Senior Management

- The founding members have been involved in asset securitization since the inception of the ABS market in the early 80's, have over 20 years of experience each and have worked in highly volatile trading and structuring markets in both the U.S. and Europe. The majority of senior management has also been involved in asset securitization for an average of 15 years each and has a track record of being innovators in new ABS asset classes and investment structures. The wide–ranging experience of management provides VERO with an advantage in building its business and developing new product strategies.

Committed to Firm Personnel

- Equity at VERO is widely distributed across the firm to properly incentivize and align the interests of all investment teams. This ownership structure contributes to low personnel turnover, and the ability to attract and retain key and seasoned personnel. Time and resources are committed to improving the skills of all personnel.

Strong Strategic Alliances

- VERO has active relationships with many domestic and international financial institutions and over 20 broker/dealers through its investment management business and has a deep network of strategic partners through management's affiliations, asset management relationships and structured finance experience.

Build Before Investing

- VERO first built its team, systems and analytics before taking on investment mandates. VERO spent in excess of two years building and improving its credit and collateral analytics, and risk and surveillance reporting systems. This clearly demonstrates our commitment to building a more complete and sound foundation within structured finance and alternative asset management.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

VERO's Investment Platform is Different

Comprehensive Analytical Framework

- VERO's analytical framework is an integral part of its investment platform and provides the firm with a competitive advantage. It assists portfolio management in systematically analyzing all fixed income asset classes. It provides senior management with a thorough perspective on all investment decisions and strategies. It consists of all key disciplines – credit, collateral, trading, markets, structuring, quantitative research, risk, surveillance and legal.

Detailed Portfolio Construction Process

- VERO has a replicable portfolio construction and investment process that can be leveraged across all fixed income investment products and sectors. The process includes detailed top down investment strategies, bottom up fundamental credit and collateral analysis, and granular surveillance that drives incremental and absolute returns.

Portfolio Optimization and Monitoring

- VERO's portfolio selection methodology uses quantitative and qualitative tools that provide the optimal weights to maximize return, subject to various downside risk metric constraints. Portfolio returns are compared, on both an absolute and relative basis, to VERO's internally developed benchmarks. The risk/return profiles of the securities in each portfolio are monitored and reassessed on a routine basis to evaluate potential exposure to systemic risks.

VERO Asset Selection Toolbox (V.A.S.T.)

- VERO's investment platform is designed around the key functional areas of the firm and brought together through VERO's proprietary analytical systems and its senior management. VERO's analytics have been built to run on secure and state-of-the-art systems with redundant and secure offsite backups. New releases are thoroughly tested before being integrated into V.A.S.T.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Investor Communications

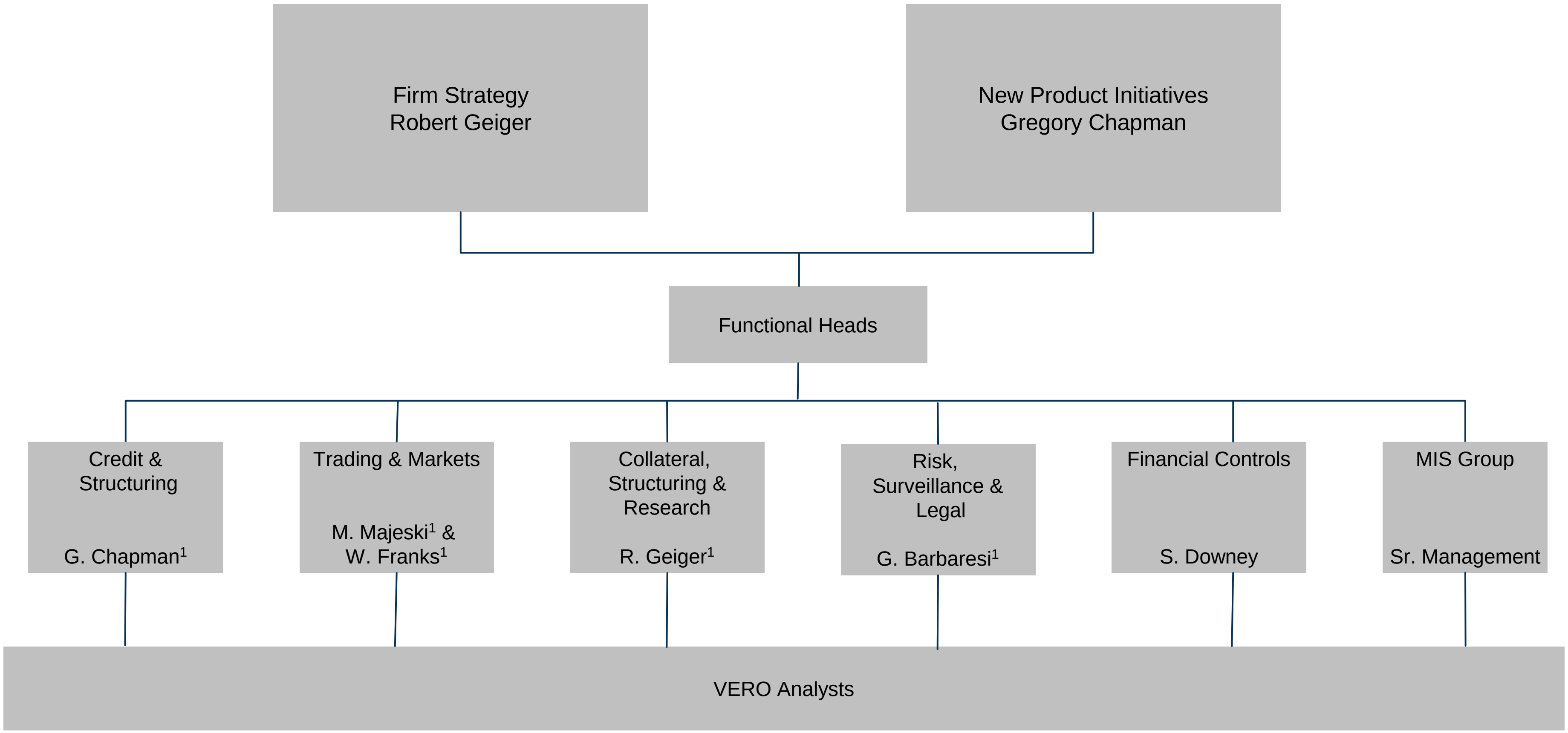
- VERO is committed to its investors and believes that ongoing correspondence with investors creates a more reliable and transparent relationship.
- As a commitment to its investor base, VERO corresponds with investors throughout the year to discuss market trends and transaction performance.
- VERO issues semi-annual reports to its equity investors that discusses the following:
  - Portfolio Overview
  - Portfolio Performance
  - Surveillance Insight
  - Portfolio Trading
  - Key CDO Tests
- VERO issues annual letters to holders of record that summarize the transaction and market.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

B. VERO's Investment Team

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Organizational Chart



[1] Structured Finance CDO Investment Committee Member

The information in this section has been furnished by VERO to provide prospective investors with information regarding certain of its personnel who will or may be involved in the management of the Issuer's portfolio and has not been independently verified by CALYON. There is no assurance, however, that any particular individual will be in the management of the portfolio for any given period of time.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

VERO Senior Management and Responsibilities

Name	Position and Experience Overview	Years of Experience
Gregory Chapman	Founding Member/Portfolio Management - Credit and New Products Co-founder of VERO, founder Anchorage Angels, LLC and LP Experience - AEGON USA, Financial Security Assurance, TIAA/CREF	25
Robert Geiger	Founding Member/Portfolio Management - Collateral, Structuring and Quantitative Research Co-founder of VERO Experience - Paribas, UBS, TD Securities, Moody's and Citibank	22
George Barbaresi	Member/Portfolio Management – Risk, Surveillance & Legal Experience - Zurich Capital Markets, Pillsbury Winthrop, Dechert Price & Rhoads Latham & Watkins	15
Wade Franks	Member/Portfolio Management - Trading & Markets Experience - State Street Global Advisors, The Boston Co. AM, Standish Mellon AM, Sallie Mae	17
Michael Majeski	Member/Portfolio Management - Trading & Markets Experience - BNP and Cambridge Associates	14
Steven Downey	Member/Financial Controls and Reporting Experience – CFO Providian Capital Management (Fortune Financial 50), Ernst & Young	25

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Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Management's Accomplishments and Previous Responsibilities

- Management has built/managed fixed income businesses at highly respected firms including UBS, Sallie Mae, Boston Company, BNP Paribas, Aegon USA and Financial Security Assurance ("FSA"). Members of the team successfully ran sizable offices/profit centers in Europe and the U.S.

- Areas of Expertise
  - ABS structuring, origination and product development
  - MBS and derivative portfolios
  - Asset and credit management
  - Structured insurance products for the Americas
  - Structured financial guarantees

- Management Accomplishments
  - Products developed by VERO's management team are now staples in their markets
  - Built research, structuring and trading groups, and successful stand-alone alternative funds
  - Structured over $20 billion of public and private structured finance transactions
  - Actively managed $5 billion ABS and MBS investment grade portfolios
  - Developed a $50 billion asset class in the European Capital Markets
  - Received structuring and product innovation awards in ABS from the International Financing Review
  - Developed first generation structured finance deals and guarantees (fixed income and equities)
  - Successfully managed investment, research and portfolio strategy groups across many fixed income investment disciplines

- Created many first-time products including
  - First insured CDO and first guaranteed stock mutual fund
  - First internationally listed/publicly rated "Stable Value" insurance bond
  - First insured Collateralized Loan Obligation ("CLO") using managed high yield loans
  - First insured auction-reset preferred stock issued by closed-end funds

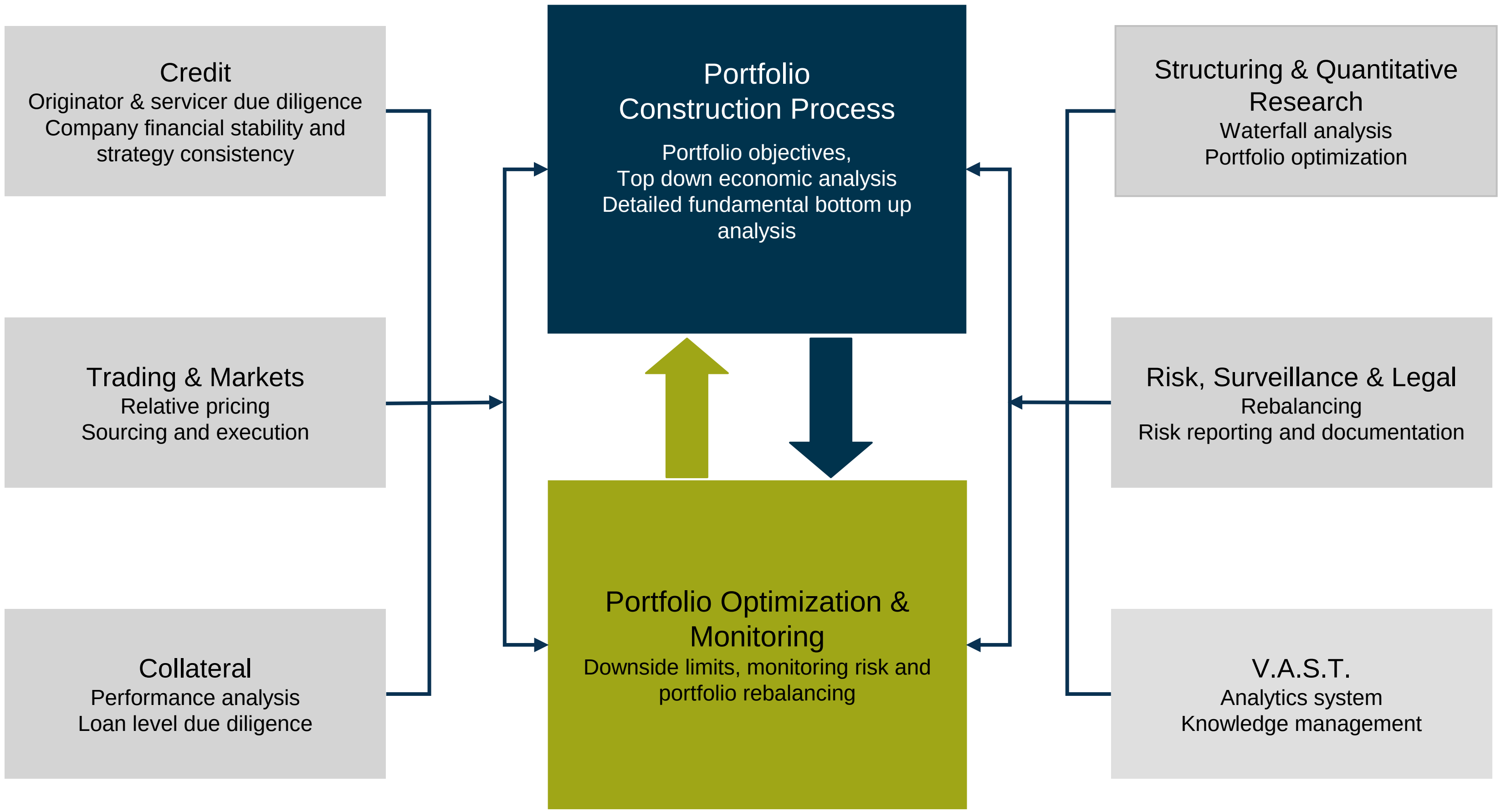
CALYON CRÉDIT AGRICOLE CIB

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

VERO CM

C. VERO’s Investment Platform

Overview



Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Portfolio Construction Process and Sector Consideration

VERO designs its investment vehicles to provide investment flexibility and allow it to manage through all aspects of the credit cycle.

The clients' investment objectives drive the portfolio construction process, which is disciplined, replicable and integrated across all investment strategies.

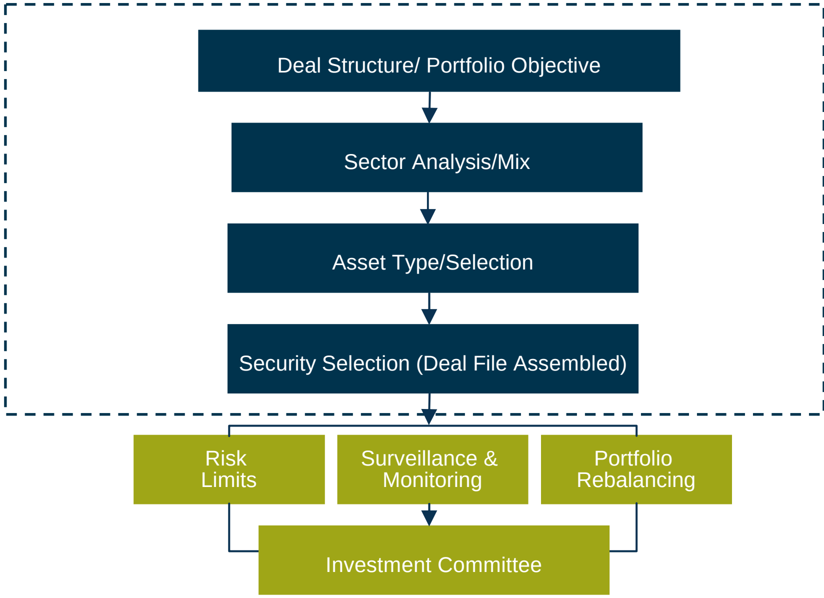
Securities within different sectors (RMBS, CMBS, CDOs, CDS, etc.) are analyzed by their specific credit and collateral fundamentals. VERO avoids industries with sub-par fundamentals, poor profitability and unsustainable businesses.

Assets are allocated to create portfolios with optimal risk/return profiles. The criteria used include, but are not limited to, absolute and relative returns, liquidity, pricing and stress metrics, portfolio limits, cashflow sustainability, diversification and correlation.

Security selection and fundamental credit analysis leverage all aspects of the firm's investment platform and focus on asset and sector diversity for each investment vehicle to minimize price volatility.

VERO incorporates comprehensive analytics into its systems in order to search, store and test any new asset, liability or investment strategy and to review previously analyzed or purchased securities.

VERO reviews the underlying attributes of all collateral, conducts relative price histories to determine relative value and absolute credit risk in each security and portfolio.



- Disciplined, replicable and integrated
- Avoid industries that have sub-par fundamentals
- Drive incremental returns through fundamental analysis
- Drive incremental returns using firm-wide analytics
- Make decisions that are logical, defensible and consistent
- Structure, asset quality and diversity are paramount considerations

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Investment Committee and Portfolio Optimization

Investment committee members ensure that investment decisions are made based on strategies that support product stability.

Investment committee consists of five members that head up:

- Credit
- Collateral
- Trading & Markets
- Structuring & Quantitative Research
- Risk, Surveillance & Legal

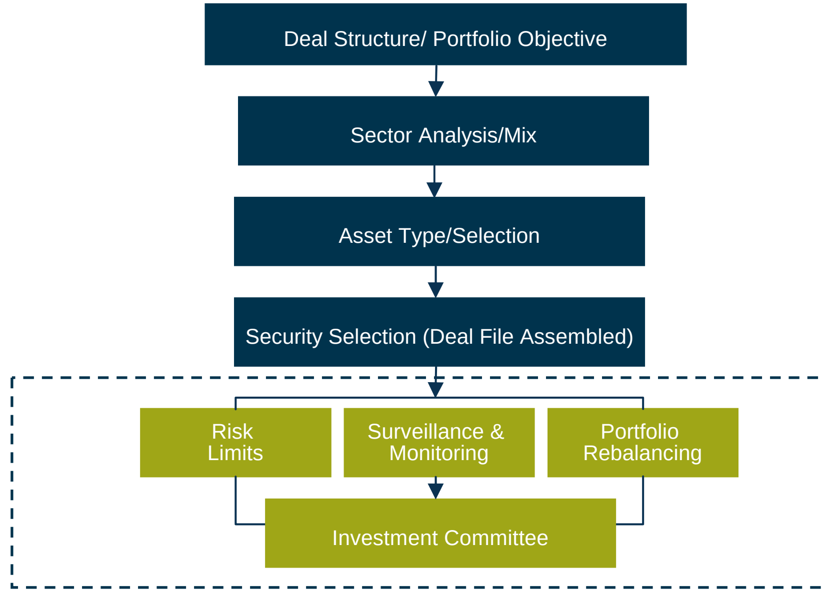
New managers, new deal structures, new underwriting criteria and new asset classes must be presented to the investment committee for unanimous approval. All investments are documented both qualitatively and quantitatively.

Portfolio optimization is conducted within structuring and continuously discussed with the trading, collateral and credit groups to create a constant feedback loop to improve analytics and identify Alpha.

Portfolio optimization is incorporated in all strategies to minimize downside risk, deploy efficient hedges as appropriate and rebalance portfolios as required.

Returns are optimized through active dialogue among the structuring, trading and risk groups.

Documentation of each investment decision includes the investment strengths, weaknesses, risks, and rationale.



- Investment process includes continuous and dynamic dialogue with all areas of the firm
- Investment committee involvement in all funds
- Actively manage funds to meet return and risk objectives
- Optimize portfolios using firm wide feedback loops
- Actively manage and size credit risk appropriately
- Unanimous investment decisions

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Credit Analysis

VERO incorporates a comprehensive monitoring process with a strong fundamental analysis. VERO is also committed to a proactive and defensive credit philosophy.

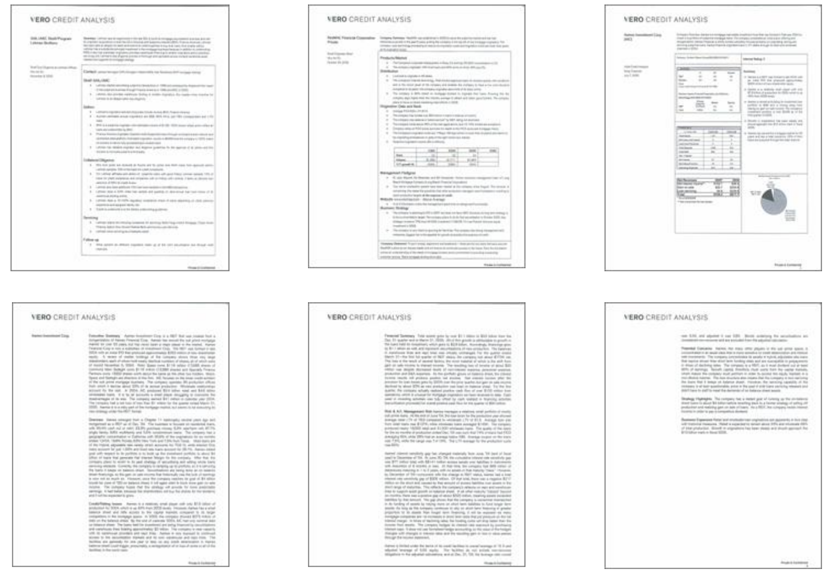
VERO credit analysis consists of reviews of asset originators and servicers, parent companies of originators and issuers and shelf issuers. The analysis incorporates collateral statistics and profiling. These reports discuss product strategy and distribution, servicing capability, fundamental company analysis, funding sources and management expertise.

VERO's credit analysis is leveraged across all sectors within ABS and other structured credit and asset based credit strategies. Credits are stratified by their inherent risk profiles and correspond to specific credit guidelines.

VERO's senior management and its credit team conduct detailed interviews and due diligence meetings with asset originators and servicers as part of on-going due diligence.

Identifying, quantifying and seeking out the contributors to credit risk is a granular and ongoing process that is central to the overall investment process. VERO uses company information and filings, onsite meetings, industry contacts and third party research to create proprietary value added analysis and internal scores on companies.

Credit and collateral analytics are integrated into one seamless process resulting in a comprehensive analysis for all investments. All analytics and write-ups are detailed, current, automated and accessible by the portfolio management team.



- Generate value added analysis
- Analyze issuer/seller risk and strategy consistency
- Be proactive and defensive in the credit process
- Combine credit and collateral to create a robust perspective
- Seek originators with strict and consistent underwriting policies and risk controls
- Avoid companies with accounting inconsistencies, unseasoned personnel and insufficient technology

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Trading & Markets

VERO's Trading & Markets team serves as the hub for integrating the security pricing and bids and offerings information into the firm's internal analytical framework.

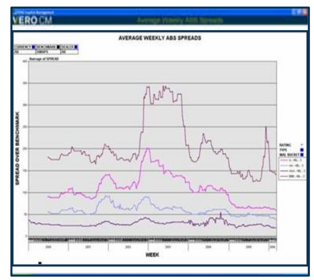
The team's effort to ensure consistent portfolio construction follows directly from its ability to obtain the most accurate and timely market information available.

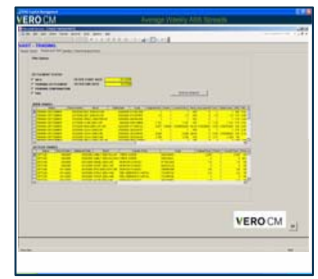
Understanding the implications of how technical factors have and may impact portfolio opportunities and constraints provides the context for sector preferences and security selection.

Documentation of each trading/portfolio decision includes the team's judgment of the security's strengths, weaknesses and risks, and the rationale for the action. This forms the foundation for continually improving the quality of the decision-making process.

Each potential security undergoes multiple stress tests, the results of which are ranked using an internal scoring methodology on multiple dimensions (cash flows, extension, CPR, CDR, OAS, triggers, etc.)

Avoidance of downside deviation and negative ratings migration are the central tenets informing the design of the relevant tests and analytics.





- Define the universe/opportunity set using timely market data
- Determine the context, know the risks, pay the right price
- Maintain selectivity discipline at all times
- Continually evaluate and improve upon previous decisions and outlooks
- Continually manage to absolute or relative metrics depending on the investment strategy
- Actively manage risk in the asset selection process

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Collateral Analysis

A seamless integrated quantitative and qualitative approach creates a comprehensive and detailed collateral description which forms a part of the core basis for investment decision making.

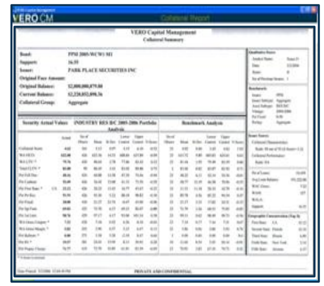
Robust quantitative collateral analysis identifies specific structuring changes that may impact the relative and absolute value of VERO's holdings.

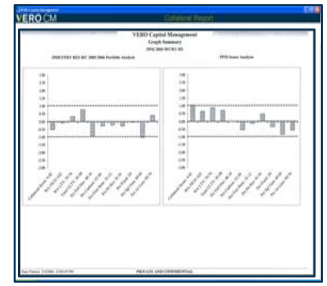
Collateral performance data for both owned and non-owned securities is used to identify new security trends, act on collateral variances and generate proprietary metrics.

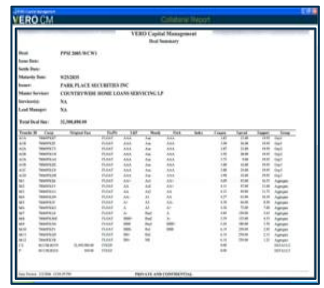
- Benchmarking and time series data include delinquencies, losses, CPR, current loan balances, triggers, credit support, forecasting models, waterfall, subordination and over-collateralization analysis, etc.
- Benchmarks are based on proprietary historical data tables detailed by dozens of variables that VERO uses to model collateral performance
- All collateral and securities are ranked via an internal scoring system based on VERO's proprietary benchmarking and criteria

VERO prepares monthly quantitative reports that are utilized in collateral selection, monitoring, risk reporting and portfolio rebalancing.

VERO provides report summaries on all critical collateral variables. Reports are tailored and generated on every bond considered.







- Value-added analysis in the investment decision making process
- Quantitative and qualitative rankings
- Comprehensive performance statistics
- Relative value screens
- Detailed trends and forecasting analysis
- Special reports in conjunction with the Structuring & Quantitative Research group

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Structuring and Quantitative Research

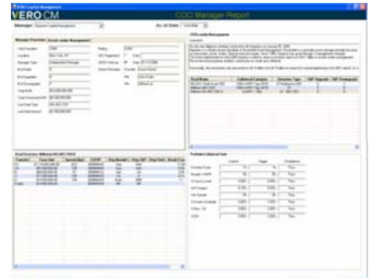
VERO believes that research and credit drive absolute returns through relative value opportunities. Regulatory, structural and legal changes also impact structured finance transactions and returns. The research team and legal department are responsible for assessing these changes and implementing appropriate analysis to successfully manage their effects.

The research/structuring team also oversees the design and the development of all quantitative models. In addition, the group re-engineers all structured vehicles and reevaluates all models that may impact securities in the portfolio (rating agency, capital, correlation, etc.)

VERO's structuring and research team manages its CDO systems and analytics and conducts due diligence on CDO managers. The team reviews CDO coverage tests, stress scenarios, swap agreements, manager systems, manager style, potential style drift and various other key risk factors.

VERO's CDO systems perform several functions, including running price-yield analysis on CDO tranches, monitoring coverage tests and collateral quality tests, and optimizing CDO asset portfolios.

VERO's CDO library monitors the performance of new issue and secondary issue CDO transactions. A wide array of statistics, including rating migration data and transactions structural features, are used to produce a proprietary ranking scheme of CDO managers.



- Comprehensive analytical models for all areas of the firm
- Create routines to assist in qualifying collateral risk
- Proprietary forecasting models
- Regional economic and housing analysis
- Market value and collateral test analysis
- CDO manager due diligence and reviews

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Risk, Surveillance and Legal

VERO's risk team meets weekly as required, and is responsible for implementing risk management practices firm-wide. The risk team is part of the portfolio management group and is involved in all securities purchase/sell decisions.

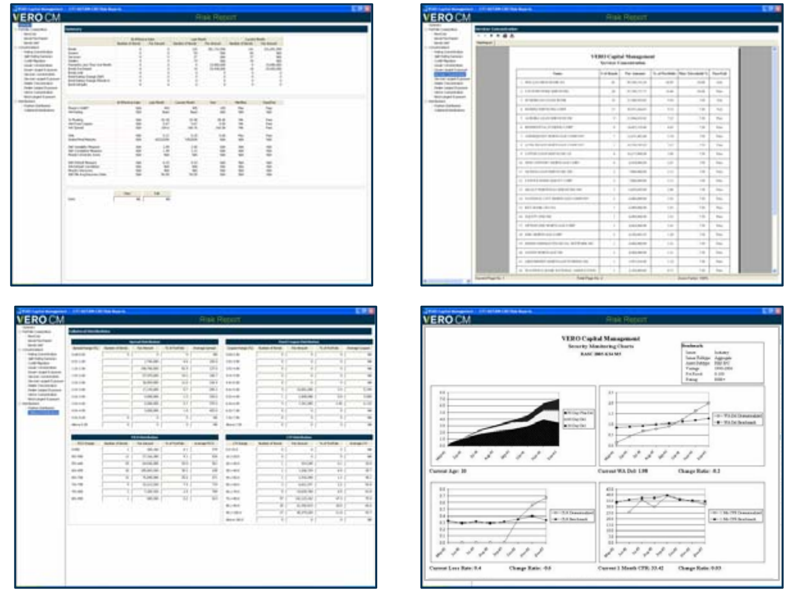
Risk has the authority to override potential trades that fail to adhere to the internal investment guidelines set out by VERO, the indenture and/or any operating agreement. In addition, risk can initiate and/or require the sale of a security if required to bring a portfolio into compliance with the indenture or guidelines governing the portfolio.

The risk team is headed by VERO's general counsel and is also responsible for legal compliance with all contract provisions.

The risk team conducts daily surveillance and monitoring at the portfolio level whenever a security is bought or sold and monthly at the security level to ensure that VERO is compliant with all indenture agreements and internal credit and pre-set risk guidelines.

VERO's portfolio surveillance and risk framework includes proprietary scenarios analysis such as security price shifts, rate curve and implied correlation surface deformations, credit migration, liquidity gaps, forced default events and time to default changes.

When placing trades for client accounts, VERO seeks to allocate trades equitably so that certain client accounts are not routinely traded first or receive preferential treatment. Where possible VERO will allocate bonds on a pro-rata basis to ensure proper allocations.



- Firm-wide review of risk management practices
- Integrated with all other areas of the firm
- Surveillance at the security and portfolio levels
- Use "best practices" and major risk metrics
- Monitor indenture agreements, guidelines, OMs, etc.
- Detail all critical components of risk as they relate to securities, structure and legal issues

VERO Information Technology

VERO's Information Technology is a key differentiator between VERO and its competitors.

VERO's technical architecture was designed from the ground up according to the following principles:

- Systems should be fault-tolerant, redundant, secure and extremely stable.
- The business must continue to operate even in the face of disasters such as the 9/11, Hurricane Katrina and/or any business disruption. For this reason VERO has implemented a comprehensive remote disaster recovery plan.
- VERO's data is a key component of our investment platform. Data quality is a distinct discipline and the processes that ensure it are an important part of the VERO culture.
- Application development is a business process enabled by information technology. VERO employs industry best practices to ensure that all applications are developed within a common framework and adhere to the same quality assurance standards.

VERO is dedicated to using the best quantitative tools in developing, maintaining and integrating firm wide analytics and systems.

- VERO ensures system availability 24 x 7 x 365 by using state-of-the-art hardware and software.
- All systems are integrated using a single enterprise-wide systems development framework.
- Analytics and statistical models are prototyped and thoroughly tested prior to full-scale design and build-out of the production systems.
- Systems and portfolio management are inextricably linked, each demanding rigorous quality assurance processes.
- Information Technology projects enjoy visibility and sponsorship at the highest levels within the firm, including a monthly review with senior management.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Conclusion—VERO's Resources and Key Tenets

Seasoned team of structured finance professionals and a highly integrated portfolio management process.

Committed to investing in people, technology and analytics.

Proactively manage client relationships and respectfully deal with each client.

Focus resources on structured credit and collateral, which are the key risk components of our business.

Possess robust data analytics and systems to analyze all investments.

Seek to detect negative trends early and invest only where it has expertise.

Achieve appropriate risk-adjusted returns.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Appendix A

The information in this appendix has been furnished by VERO to provide prospective investors with information regarding certain of its personnel who will or may be involved in the management of the Issuer's portfolio and has not been independently verified by CALYON. There is no assurance, however, that any particular individual will be in the management of the portfolio for any given period of time.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Biographies

VERO Senior Management

Gregory Chapman

Gregory Chapman is a Founding Member. Mr. Chapman is a member of the Portfolio Management Committee and is responsible for investment strategy, credit, product development and due diligence. He brings approximately 25 years of direct business experience in portfolio management, fixed income credit and investment, structured finance and private equity investments.

His experience spans a number of key areas within investment management and structured finance - ABS, CLOs, HLTs, Private Placements, Private Equity and Financial Guarantees. Mr. Chapman founded Anchorage Angels LLC and Anchorage Angels II, LP. These two private equity groups funded several companies which have experienced exits at a multiple of their original investment. As a private investor, Mr. Chapman was a founding investor and Director of Peoplefirst.com, the first and leading on-line originator and servicer of consumer auto loans. Peoplefirst.com was sold for approximately $200 million in cash and debt in 2002, resulting in substantial capital gains for investors.

While Director of Product Development at AEGON USA, Mr. Chapman led the effort to build new structured domestic and international investment businesses for AEGON USA resulting in what is today in excess of $8 billion business line that produces annual spread income in excess of $50 million.

He was the first hire by the founders of Financial Security Assurance, Inc. ("FSA"). FSA was the first monoline financial guaranty insurance company to insure corporate and taxable securities. Mr. Chapman, who served as Co-Head of Asset Finance, pioneered several new markets for financial guarantee insurance, including leveraged closed-end investment funds, equity mutual funds, commercial real estate portfolios, and Collateralized Loan Obligations ("CLO"). Mr. Chapman was a senior portfolio manager in the private placement fixed income department at TIAA/CREF where he originated and closed on numerous types of highly structured financings. Mr. Chapman is a graduate of Columbia University (MBA) and Montclair State University (B.A.).

Biographies (Cont'd)

VERO Senior Management

Robert Geiger

Robert Geiger is a Founding Member. Mr. Geiger is a member of the Portfolio Management Committee and is responsible for investment strategy, credit, collateral analytics and due diligence. He brings approximately 22 years of structuring, ABS - product development, credit, collateral research and capital markets experience.

His experience spans multiple asset types - Autos, Credit Cards, Conduits, Leases, Corporate Loans, Student Loans, Insurance-Based Securitizations, RMBS and various asset repackagings. Mr. Geiger was Head of Insurance Capital Markets at Paribas, where he formed the insurance investment banking and capital markets business, developing, executing and advising on over $2 billion in transactions. Prior to this he was a Director at UBS in corporate finance and a Director at TD Securities. He brings over 17 years of Wall Street experience in rating, developing, originating, structuring and distributing structured products in the domestic bond and Eurobond markets. His expertise extends to several types of structured finance products, new asset classes, first time collateral and corporate credit products. He began working in the field of ABS collateral in 1984 at Citibank Financial and later at Moody's. Mr. Geiger holds an M.S. from Johns Hopkins University and a B.A. from the University of Dayton.

George Barbaresi

George Barbaresi is a Member. Mr. Barbaresi is a member of the Portfolio Management Committee and is responsible for collateral, surveillance, risk and legal review and due diligence of the firm's investment strategies and investment vehicles.

Mr. Barbaresi brings 15 years of legal experience in securities law, public and private financings and capital markets. His practice has included securitization, derivatives, hedge funds, private equity and venture capital fund transactions; mezzanine, high-yield and bank loan financings; public and private debt and equity offerings; and mergers and acquisitions. He was Vice President and Counsel at Zurich Capital Markets involved with hedge funds and derivative products. Before Zurich, he was a Senior Associate at Pillsbury Winthrop and prior to that was associated with Dechert Price & Rhoads and Latham & Watkins. Mr. Barbaresi received his law degree from the J. Reuben Clark School of Law, Brigham Young University (magnum cum laude, Order of the Coif and Managing Editor, Brigham Young University Law Review). Mr. Barbaresi attended Yale University and Stanford University, receiving his B.S. degree in Petroleum Engineering. He worked as an engineer in the petroleum industry for over 10 years before attending law school. Mr. Barbaresi is admitted to practice law in the States of New York and Connecticut and the District of Columbia.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Biographies (Cont'd)

VERO Senior Management

Wade Franks

Wade Franks is a Member. Mr. Franks is a member of the Portfolio Management Committee and is responsible for asset identification, liability management and trading.

Mr. Franks brings over 17 years of experience in fixed income trading, portfolio management, operations and compliance. As a Vice President and Portfolio Manager at State Street Global Advisors, Mr. Franks managed $46 billion in securities lending investment portfolios for several clients including state pension plans, foreign central banks, and multinational corporations. As a Vice President and Portfolio Manager at The Boston Company Asset Management and Standish Mellon Asset Management, Mr. Franks managed multiple fixed income investment strategies including total return short duration, stable value money market and cash equitization. He managed two Dreyfus retail money market funds that were consistent top quartile performers over 6 years. As Director of Finance at the Student Loan Marketing Association ("Sallie Mae"), Mr. Franks managed an arbitrage portfolio that grew from $3 billion to $12 billion in assets and was one of the first major institutional purchasers of ABS product. He was also responsible for managing Sallie Mae's repo book, and for actively managing interest rate risk using Eurodollar and bond futures for many of Sallie Mae's term funding transactions. Mr. Franks holds a B.B.A. in Finance from George Washington University.

Michael Majeski

Michael Majeski is a Member. Mr. Majeski is a member of the Portfolio Management Committee and is responsible for asset identification, liability management and trading.

Mr. Majeski brings over 14 years of experience in trading, capital markets and research. Mr. Majeski worked in fixed income trading, syndicate, and capital markets at BNP Paribas, most recently running a $500 million corporate bond book as Vice President–Credit Trading. He has actively managed credit, interest rate and foreign exchange risks utilizing credit default swaps, interest rate and currency swaps, and Eurodollar and bond futures. Mr. Majeski established the fixed income syndicate desk in New York for BNP, managing underwriting and position risk as Syndicate Manager. Within debt capital markets, he originated and closed many first-time funding transactions for large institutional clients with multi-billion dollar borrowing requirements, medium term note programs and structured debt funds. Mr. Majeski previously worked in investment consulting and research at Cambridge Associates. He holds an MBA from University of Virginia's Darden Graduate School of Business Administration and a B.A. in Economics from Yale University.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Biographies (Cont'd)

VERO Senior Management

Steven Downey

Steven Downey is a Member. Mr. Downey is responsible for financial controls and reporting.

Mr. Downey brings over 25 years of financial control experience specifically involved in regulated entities and investment management companies. Mr. Downey is a CPA with specific expertise in insurance, REITs, consumer finance, asset management, real estate, SEC reporting and financial oversight. Mr. Downey was CFO of Providian Capital Management and Controller of Providian Corporation, a Fortune 200 financial services company, with $29 billion in assets, overseeing a staff of over 400 professionals. He has most recently worked in a CEO and CFO role with start-up companies in various industries. He has restructured companies and actively managed the following areas: investor and investment banking relationships; strategic planning; risk management; investment and hedging strategies; tax; and reporting. Mr. Downey spent 12 years at Ernst & Young focusing on financial services, security filings and mergers and acquisitions. At Providian he was responsible for building the financial organization and hiring, training and developing staff. He managed divisional CFOs and worked closely with the CEO and COO. He graduated (with honors) with a B.S. in Accounting from the University of Alabama in 1978.

Brian Fischer

Mr. Fischer is a member of the Portfolio Management Committee and is responsible for investment strategy, portfolio management and risk management.

Mr. Fischer brings over 16 years experience in portfolio and risk management, and investment banking. His experience spans across multiple structured asset classes, including Asset-Backed, Mortgage-Backed, Mortgage Derivatives, Emerging Markets and Hedge Funds, and across various investment vehicles. Mr. Fischer was most recently a Managing Director at a boutique that managed fund of hedge fund portfolios and provided business development services for hedge funds. Prior to this, he was a Managing Director and Head of ING's Fund of Hedge Funds group. Before ING, he was a Vice President at J.P. Morgan as a portfolio strategist in the Emerging Markets Research group. He began his portfolio management career as a Vice President at Putnam Investments, where he was a portfolio manager and quantitative analyst in the Domestic Taxable Investment-Grade Fixed Income group overseeing approximately $5 billion. Mr. Fischer received his MBA from Duke University and his BS from Villanova University, cum laude. He also maintains an active role as an educator and frequently speaks at industry events and universities and is published in scholarly journals including The Journal of Investing and The Emerging Markets Quarterly.

Biographies (Cont'd)

VERO Senior Advisory Board

The board will be made up of approximately three seasoned professionals with 25 or more years experience in asset management and or structured finance. This advisory board will serve the firm by assisting in strategic decisions and guiding the firm in its positioning throughout key institutional and affluent markets.

Irv Bailey

Irv Bailey brings over 40 years of investment and management experience. He has co-invested with Chrysalis Ventures since 1998 and subsequently joined the firm as a Managing Director in 2001. He is a member of the Supervisory Board of Aegon NV, and is Director of Computer Sciences Corporation. From 1988 until its sale in 1997 to Aegon NV, he served as Chairman and Chief Executive Officer of Providian Corp., a Fortune 200 company and one of the region's largest publicly traded companies. In 1987, Mr. Bailey became Providian's President and Chief Operating Officer. In 1981, Mr. Bailey joined Providian as Executive Vice President and Chief Investment Officer. Prior to Providian, Mr. Bailey served at Phoenix Mutual Life Insurance Company as Senior Vice President, Investments (1976-1981), and as Vice President, Bond Investments (1971-1976). Prior to Phoenix, Mr. Bailey was Assistant Vice President, Investment Department of Mutual Life Insurance Company of New York. Mr. Bailey has held a wide variety of civic leadership positions and a number of successful fund raising campaigns in Louisville, Kentucky. Mr. Bailey received his B.A. from the University of Colorado and his MBA from NYU's Stern School of Business.

Source: VERO Capital Management. All information in this section has been supplied herein by VERO Capital Management and has not been independently verified by CALYON.

Appendix B

Risk Factors

An investment in the transaction described herein (the "Transaction"), if it is consummated, will involve certain risks, including the risk that an investor may lose all, or a significant part of, its capital. A detailed list of risk factors will be included in the Offering Circular. Set forth below is a summary description of certain of the risks to which an investor in the Transaction would be subject. This summary description is not and does not purport to be a complete list of the risks inherent in an investment in any of the securities. The risks identified herein will be described in greater detail in the Offering Circular, as well as other risks. Any prospective investor should not make any decision to invest in the Transaction until after such investor has carefully reviewed the Offering Circular, conducted such investigations as the investor deems necessary and consulted the investor's own legal, accounting, tax and other advisors in order to make an independent determination of the suitability and consequences of an investment in the Securities. The Offering Circular will supersede this document in its entirety.

Limited Liquidity, Restrictions on Transfer and Limited Recourse There is currently no market for the Securities and it is highly unlikely that any secondary market will develop. The Securities should be viewed as a long-term investment, not as a trading vehicle. The value of the Securities may vary and the Securities, if sold, may be worth more or less than their original cost. In addition, as the Securities will be sold in transactions exempt from SEC registration pursuant to Section 4(2), Rule 144A, and/or Reg S and the Issuer will not be registered under the Investment Company Act of 1940 pursuant to Section 3(c)(7) thereof, related restrictions on transfer of the Securities will apply. All liabilities of the Issuer will be payable solely from the cash flow available from the collateral pledged by the Issuer to secure the Notes. No other assets will be available for payment in the event of any deficiency. The Preference Shares will represent unsecured, non-recourse obligations of the Issuer payable solely from the collateral. The Issuer will have no material assets other than the collateral.

Leveraged Credit Risk; Volatility of Collateral and Preference Shares Market Value The Preference Shares will be in a first loss position with respect to defaults on the underlying collateral. The highly leveraged nature of the Preference Shares magnifies the adverse impact of any collateral defaults. The use of leverage generally magnifies an issuer's opportunities for gain and risk of loss. Therefore, changes in the market value of the Preference Shares can be expected to be greater than changes in the market value of the underlying assets included in the collateral, which themselves are subject to credit, liquidity and, with respect to the fixed rate portion of the portfolio, interest rate risk. Changes in the market value of issues from one sector or industry may impact the market value of issues from one or more of other sectors or industries included in the collateral.

Subordination Payments of principal and interest on the Notes will be subordinated to payments under any hedge agreements and certain expenses of the Issuer. Payment to the subordinated classes of Notes are also subject to payments of principal and interest to the more senior classes of Notes. The Preference Shares will be subordinated to the Notes and certain payments of expenses. In addition, in the event of a default, holders of the Notes of the controlling class will generally be entitled to determine the remedies to be exercised; such remedies could be adverse to the Preference Shares. The Preference Shares will not be able to declare an event of default and will not receive any payments after the occurrence of an event of default unless and until the Notes and certain expenses are paid in full.

Prepayment Risk The amount and frequency of payments of amounts on the Preference Shares will depend on, among other things, the level of LIBOR, Treasury yields, returns with respect to Eligible Investments, the extent to which the collateral securities experience defaults, scheduled payment of principal or retirement prior to the stated maturity of the Preference Shares through mandatory or optional redemption, sale, maturity or other liquidation or disposition. In addition, the redemption (whether upon auction call, optional redemption or clean-up call) or other payment of principal of the Notes, which will depend in part on the foregoing factors, will result in reduced leverage and may affect the payment of amounts due on the Preference Shares. The yield to maturity on the Preference Shares could be affected by the rate of prepayment of the collateral. Payments to the Preference Shares at a rate slower than the rate anticipated by investors purchasing the Preference Shares at a discount will result in an actual yield that is lower than anticipated by such investors. Conversely, payments to the Preference Shares at a rate faster than the rate anticipated by investors purchasing the Preference Shares at a premium will result in an actual yield that is lower than anticipated by such investors.

Investors should review the Offering Circular for more complete descriptions of these risks as well as other risks.

Risk Factors

Collateral Risk; Collateral Impairment A portion of the collateral securities will consist of classes of asset-backed securities that are subordinated to one or more classes of more senior securities which may be subject to leveraged credit risk. Each collateral security carries credit, liquidity, interest rate and prepayment risk. Increased levels of default or prepayment on the collateral securities may have an adverse impact on the return to investors. The collateral securities inherently bear significant credit risks because issuers are primarily private entities. The structure of the collateral securities and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, investor sentiment and the use of credit enhancements. Adverse changes in the financial condition of the obligor or in general economic conditions may adversely affect the obligor's ability to pay principal and interest on its debt. It is expected that a portion of the collateral will be acquired by the Issuer after the Closing Date, and, accordingly, the financial performance of the Issuer may be affected by the price and availability of collateral to be purchased. The market value of the collateral securities will fluctuate with the financial condition of the obligors on or issuers of the collateral securities. From time to time, the Issuer may be confronted with a limited universe of investments that would satisfy the eligibility criteria given the other investments in the Issuer's portfolio. As a result, the Issuer may find it difficult to purchase suitable investments. The ability of the Issuer to sell collateral securities prior to maturity is subject to certain restrictions and limitations under the Indenture. Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Securities. The portfolio will include investments that bear interest at a variety of fixed rates and floating rates that are different than the interest rates on the Notes. Consequently, all classes of Notes and the Preference Shares are subject to the risk that the interest income on the portfolio may from time to time be less than the interest expense. Additionally, impaired market liquidity following an event of default could impair the total return on the portfolio.

Illiquidity of Collateral Some of the collateral securities purchased by the Issuer will have no, or only a limited, trading market. This illiquidity may restrict the Issuer's ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities. Illiquid debt securities may also trade at a discount to comparable, more liquid investments. In addition, the Issuer may invest in privately placed collateral securities that are non-transferable or are transferable only at prices less than the fair value or the original purchase price of the securities.

Timing and Amount of Recoveries In the event of impairment of credit quality and/or defaults on the collateral securities, the Collateral Manager may sell or retain the affected collateral. There can be no assurance as to the timing of the Collateral Manager's sale of affected assets, or if there will be any market for such assets or as to the rates of recovery on such affected collateral. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to the Preference Shares compared to the returns generated using the modeling assumptions and may result in losses on the Notes.

Hypothetical Illustrations and Estimates Estimates of the weighted average lives of the Notes and the returns and duration of the Preference Shares included herein, together with any other hypothetical illustrations and estimates provided to prospective purchasers of the Securities, are forward-looking statements. The hypothetical illustrations are only estimates. Actual results will vary, and the variations may be material.

Inability to Reinvest; Ramp-Up There may be substantial lags between the receipt of principal on collateral securities and the reinvestment thereof in collateral securities during which period proceeds will be invested in lower yielding short-term high quality investments. In the event of a decline in interest rates generally or in asset yields, the Collateral Manager may not be able to reinvest principal received on collateral securities at rates at least equal to the current yields on such assets or at the reinvestment rates presented herein. The inability to reinvest in comparable yields and the potential existence in reinvestment lags may result in lower cash flow and a lower internal rate of return for the Preference Shares compared to the returns generated using the modeling assumptions and may result in losses on the Notes. In addition, during the Ramp-Up Period, if any, the Collateral Manager may be unable to invest in yields at least equal to the current yields on the collateral and may result in lower cash flow and a lower internal rate of return for the Preference Shares compared to the returns generated using the modeling assumptions and may result in losses on the Notes.

Investors should review the Offering Circular for more complete descriptions of these risks as well as other risks.

Risk Factors

Changes in the Rate of Interest Paid on the Notes Interest on the Notes will be based on a 1-month LIBOR rate. An increase or decrease in the 1-month LIBOR rate will change the amount of cash flow available from the floating rate collateral securities and floating leg of the interest rate swap and the amount of cash flow needed to pay interest on the Notes. The payment on the fixed leg of the interest rate swap and the cash flow available from the fixed rate collateral securities will not change based on the 1-month LIBOR rate. Therefore, if the amount of fixed rate assets does not match the notional amount of the swap in any period, there will be a mismatch between the amount of total floating rate assets and liabilities, and a change in the 1-month LIBOR rate may increase or decrease the amount of excess cash flow available to the Preference Shares and the amount of cash flow available to make payments on the Notes in that period. Furthermore, there may be a timing mismatch between the asset that bears interest at a floating rate as the interest rate on such floating rate asset may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rates on the Notes.

Mandatory Redemption of Notes To the extent the ratings on the Notes are not confirmed as of the ramp-up completion date, cash flows, including amounts otherwise payable to holders of the Preference Shares, will be diverted to redeem the Notes in order of seniority until the Notes are paid in full or the ratings confirmed. Mandatory redemption could result in an elimination, deferral or reduction in the amount paid to the Preference Shares, which would adversely and materially affect their returns.

Hedging Risk The collateral securities will be subject to prepayment and extension risk which may result in a mismatch between the cash flow anticipated on the assets and any hedge agreements intended to reduce interest rate risk. The cost and structure of the hedge agreements may affect the yield on the Preference Shares. The Issuer will be subject to the credit risk of each counterparty to the hedge agreements, and the failure of a counterparty to make payments will reduce the amount of cash flow available to holders of the Notes and the Preference Shares. In the event of the insolvency of a hedge agreement counterparty, the Issuer will be treated as a general unsecured creditor of such counterparty. The actual current balance of the collateral may not exactly match the notional balance under any hedge agreement. This mismatch could result in a reduction of cash flow available to the Notes and the Preference Shares. In addition, there may be a termination payment related to one or more hedge agreements in the event of a redemption of the deal prior to the expiration of the hedge agreement.

Early Termination of the Reinvestment Period The Reinvestment Period may end earlier than the specified date if (1) the Collateral Manager notifies the Trustee that investments in additional collateral securities within the foreseeable future would either be impractical or not beneficial, or (2) an Event of Default occurs, or as otherwise specified in the Offering Circular. Early termination of the Reinvestment Period may result in an elimination, deferral or reduction in the amount paid to the Preference Shares which could adversely affect their returns. A Mandatory Redemption may also occur at any time upon the occurrence of certain tax withholding events. The Preference Shares may not be redeemed unless the Notes are redeemed in full.

Portfolio Management/Trading Risk The Collateral Manager has the authority to sell certain collateral and purchase replacement collateral within certain parameters. If the transactions result in a net loss, the loss would be borne first by the Preference Shares and its effect would be magnified due to the leveraged nature and amount of subordination of the Preference Shares investment.

Investors should review the Offering Circular for more complete descriptions of these risks as well as other risks.

Risk Factors

Timing of Receipt of Accrued Interest Income On an ongoing basis, the receipt by the Issuer of accrued interest income as well as any amount of accrued interest owed on reinvested securities may affect the availability of cash which may be distributed to the Preference Shares.

Dependence on Key Personnel The Issuer will be highly dependent on the financial and managerial experience of certain individuals associated with the Collateral Manager as such individuals will be analyzing, selecting and managing the collateral securities. Loss of such key management and personnel may have a material adverse effect on the performance of the Issuer. There is no assurance that the key investment personnel of the Collateral Manager will remain employed with the Collateral Manager for the life of the Transaction.

Relation to Prior Investment Results The prior investment results of the Collateral Manager or persons associated with the Collateral Manager are not indicative of the Issuer's future investment results. There can be no assurance that the Issuer's investments will perform as well as the past investments of any such persons or entities. Prior performance shown reflects management of other vehicles, which have investment restrictions and policies which are significantly different from those expected to apply to the Issuer.

International Investing Investing outside the U.S. may involve greater risks which may include (1) less publicly available information, (2) varying levels of governmental regulation and supervision, (3) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws, (4) less stringent accounting practices, (5) different clearance and settlement procedures, (6) economic and political conditions and instability, (7) exchange control and foreign currency risk, (8) insolvency and (9) expropriation risk. A portion of the collateral securities may consist of obligations of an issuer organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, the Netherlands Antilles or other jurisdictions offering favorable tax treatment.

Synthetic Securities A portion of the collateral assets will consist of synthetic securities. The economic return on a synthetic security depends substantially upon the performance of the related reference obligation. Reference obligations may consist of any debt securities or other obligations which satisfy the eligibility criteria. Synthetic securities generally have probability of default, recovery upon default and expected loss characteristics, which are closely correlated to the corresponding reference obligation, but may have different maturity dates, coupons, payment dates or other noncredit characteristics than the corresponding reference obligation. In addition to the credit risks associated with holding the reference obligation, with respect to synthetic securities, the Issuer will usually have a contractual relationship only with the related synthetic security counterparty, and not with the reference obligor of the reference obligation. Due to the fact that a synthetic security may be illiquid or may not be terminable on demand (or terminable on demand only upon payment of a substantial fee by the Issuer), the Collateral Manager's discretion in determining when to dispose of a synthetic security may be limited. The Issuer generally will have no right to directly enforce compliance by the reference obligor with the terms of the reference obligation nor any rights of setoff against the reference obligor, nor have any voting rights with respect to the reference obligation. The Issuer will not directly benefit from the collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the insolvency of the synthetic security counterparty, the Issuer will be treated as a general creditor of such synthetic security counterparty, and will not have any claim with respect to the reference obligation. Consequently, the Issuer will be subject to the credit risk of the synthetic security counterparty as well as that of the reference obligor. As a result, concentrations of synthetic securities in any one synthetic security counterparty subject the Securities to an additional degree of risk with respect to defaults by such synthetic security counterparty as well as by the reference obligor. CALYON and/or one or more of its affiliates, with acceptable credit support arrangements, if necessary, may act as synthetic security counterparty with respect to all or a portion of the synthetic securities, which may create certain conflicts of interest.

Investors should review the Offering Circular for more complete descriptions of these risks as well as other risks.

Risk Factors

The Issuer The Issuer will be a Cayman Islands limited liability company. The issuer will be a newly formed entity and will have no operating history. The Issuer will have no material assets other than the collateral securities. The Issuer will not engage in any business activity other than as described in the Offering Circular.

Maturity and Prepayment Considerations Due to, among other things, the Optional Redemption available to the holders of the Preference Shares and the performance of the collateral securities, the average life of the Notes is expected to be shorter than the Stated Maturity Date. Such reduced average life may adversely affect the amounts available to be paid out to the Preference Shares.

Potential Conflicts of Interest of CALYON Both potential and actual conflicts of interest involving CALYON include the possibility that some of the collateral securities acquired by the Issuer may consist of issuers or obligors, or obligations sponsored or serviced by companies, for which the CALYON and/or one of its affiliates has acted as underwriter, agent, placement agent or dealer, lender or provided commercial or investment banking services. In addition, in anticipation of the issuance of the Securities, CALYON and/or one of its affiliates, as warehouse provider, has agreed to warehouse all or substantially all of the collateral assets selected by the Collateral Manager for resale to the Issuer on the Closing Date. The Issuer will be obligated to purchase the warehoused assets provided such collateral assets satisfy the eligibility criteria on the Closing Date for a formula purchase price designed to reflect the yields or spreads at which the collateral assets were purchased, as adjusted for any hedging gain or loss. The market values of warehoused collateral assets at the Closing Date may be less than or greater than the formula purchase price paid by the Issuer. CALYON and/or one of its affiliates may act as an interest rate swap counterparty pursuant to any interest rate swap entered into by the Issuer. CALYON and/or one of its affiliates may be a synthetic security counterparty with respect to any synthetic security acquired by the Issuer. The foregoing briefly summarizes some of the actual and potential conflicts of interest involving CALYON but is not intended to be an exhaustive list of all such conflicts.

Potential Conflicts of Interest of Collateral Manager Various potential and actual conflicts of interest may arise from the overall investment activity of the Collateral Manager, its affiliates and respective clients. The Collateral Manager and its affiliates or accounts for which the Collateral Manager or an affiliate acts as an investment adviser may invest in debt obligations that would be appropriate as collateral securities for this Transaction, and have no duty in making such investments to act in a way that is favorable to the Issuer or the investors in this Transaction. Such investments may be different from those made on behalf of the Issuer. The Collateral Manager and its affiliates may have economic interest in or other relationships with issuers in whose obligations the Issuer may invest. Such interests or relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Collateral Manager. In such instances, the Collateral Manager and its affiliates may, in their discretion, make investment recommendations and decisions that may be the same as or different from those made with respect to the Issuer's investments. The officers and employees of the Collateral Manager may have conflicts allocating their time and services among the Issuer and the Collateral Manager's other accounts. The Collateral Manager's clients or their affiliates may own a portion of the Notes or the Preference Shares.

ERISA Considerations Subject to the ERISA restrictions on holding and transferring the Securities set forth in the Offering Circular, the Issuer intends to prohibit transfers of the Preference Shares if, after such transfer, 25% or more of the Preference Shares would be held by Benefit Plan Investors.

Confirmation of the Rating on the Notes The Co-Issuers will request that each Rating Agency confirm its ratings as of the Closing Date with respect to the Notes within [35] days after the Ramp-Up Effective Date. In the event that any such rating is not confirmed, Interest Proceeds and Principal Proceeds will be diverted to pay down the Notes in accordance with the priority of payments until each such rating is confirmed.

Investors should review the Offering Circular for more complete descriptions of these risks as well as other risks.

Risk Factors

Tax Considerations There can be no assurance that, in the future, the payments on the Notes or the Preference Shares would not become subject to withholding tax. Prospective investors should consult their own tax advisors regarding the tax implications of their investments. There is a possibility that the Issuer will be found to be engaging in a U.S. trade or business. In such a case, it would be subject to substantial U.S. income tax on its income.

Changes in Tax Laws The collateral is not permitted to be subject to withholding tax at the time of purchase, unless the issuer thereof is required to make "gross-up" payments. There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the collateral might not in the future become subject to withholding tax which could adversely affect the amounts that would be available to make payments on the Securities. In case of a withholding tax event holders of more than the requisite percentage of the affected class of Security as set forth in the Offering Circular may require the issuer to liquidate the collateral on any Distribution Date, and redeem the Notes, prior to any distributions to holders of Preference Shares.

Investors should review the Offering Circular for more complete descriptions of these risks as well as other risks.

Appendix C

Contact Information

North American Structured Credit Contacts

Credit Markets & CDOs

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Global Structured Credit Contacts

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