



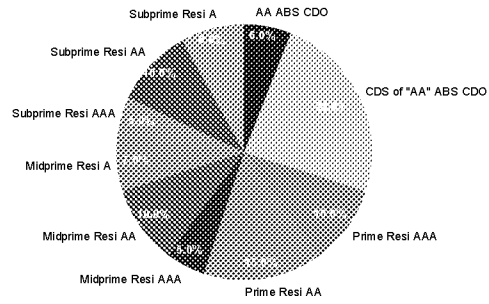
**Why Invest in Structured Finance Securities?**

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

- According to a recent Moody's study, the long-term historical average (1983-2004) of unchanged ratings of Structured Finance Securities and CDOs was 92.3%, which compares favorably to the 77.6% average of unchanged ratings of corporate bonds for the same period. <sup>(1)</sup>
- Historical default rates for Baa-Rated Structured Finance Securities have been less than .2%. <sup>(2)</sup>
- Moody's estimates that the recovery rate for Baa-Rated RMBS/HEL Securities is 65%, which is more than 1.5 times the historical recovery rates of Baa-rated corporate bonds. <sup>(2) (3)</sup>

(1) Moody's Investors Service, "Structured Finance Rating Transitions: 1983-2004", February 2005  
 (2) Moody's Investors Service, "Default & Loss Rates of Structured Finance Securities: 1983-2004", July 2005  
 (3) Moody's Investors Service, "Default & Recovery Rates of Corporate Bond", January 2005.

**Representative Portfolio**



<sup>1</sup> For illustrative purposes only. Subject to change.

**About Babcock and Brown Securities Pty Limited ("BBS")<sup>(1)</sup>**

- Wholly owned subsidiary of Babcock and Brown Limited (BNB)
- BNB listed on ASX with market capitalisation of approximately AUD\$6 billion
- BNB specialized fund under management AUD\$17.4 billion
- BNB Capital Markets ("BNB CM") performing collateral manager services for BBS
- BNB CM established in 2001 with ABS focus, initially as an arranger of ABS and more recently as an investor in the credit intensive tranches of ABS
- BNB CM principals, Steven Fleming and Brett Cairns each have over 14 years in the global structured fixed income and interest rate derivative markets
- BNB CM have expanded to encompass a CDO platform with a principal investment focus
- The Bernoulli High Grade CDO transaction reflects this principal investment focus with a BNB vehicle retaining the Income Notes and lowest investment grade Notes
- BNB uses a combination of third party vendor systems as well as proprietary analytics to quantify risk, CDO portfolio composition and compliance testing
- BNB CM have on-going plans for further CDO issuance and investment in global structured credit products

(1) Source: Babcock & Brown, as of February 2006

Class Description (Moody's S&P/Fitch)	Based on a Break in Yield		Based on 0% Yield	
	Annual Default Rate	Cumulative Gross Defaults	Annual Default Rate	Cumulative Gross Defaults
Class A-1 First Priority Senior Floating Rate Delayed Draw Notes (Aaa/AAA/AAA)	[9.3%]	[42.3%]	[32.4%]	[82.7%]
Class A-2 Second Priority Senior Floating Rate Notes (Aaa/AAA/AAA)	[4.9%]	[25.4%]	[6.6%]	[32.8%]
Class B Third Priority Senior Floating Rate Notes (Aa2/AA/AA)	[2.2%]	[12.7%]	[3.4%]	[18.6%]

- "Break in yield" is the default rate at which the first dollar loss in principal occurs, and "0% Yield" is the default rate at which total cashflow received does not equal initial investment. Please see Appendix A for a description of Collateral Cashflow Formulas.
- Assuming annual constant defaults beginning immediately, 75% recovery rate, forward LIBOR. Please see "Transaction Details - Structuring Assumptions" for a description of modeling assumptions. Assumes a weighted average spread of [0.56%] and a weighted average coupon of [5.71%].
- Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each quarterly Distribution Date. Defaulted assets are assumed to be sold immediately at a price equal to the applicable recovery rate.
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**Important Notice:**

THIS SUMMARY IS A SUMMARY OF THE "CONFIDENTIAL DISCUSSION MATERIAL - BERNOULLI HIGH GRADE CDO LTD." (THE "MATERIAL") AND SHOULD BE READ IN CONJUNCTION THEREWITH, INCLUDING "TRANSACTION HIGHLIGHTS - STRUCTURING ASSUMPTIONS" THERETO. THE MATERIAL OUTLINES CERTAIN CHARACTERISTICS OF A PROPOSED COLLATERALIZED DEBT OBLIGATION TRANSACTION ("CDO"). THE MATERIAL IS PRESENTED SOLELY FOR PURPOSES OF DISCUSSION TO ASSIST PROSPECTIVE INVESTORS IN DETERMINING WHETHER THEY HAVE A PRELIMINARY INTEREST IN INVESTING IN A TRANSACTION WITH THE GENERAL CHARACTERISTICS DESCRIBED HEREIN. THIS TRANSACTION IS IN A STRUCTURING PHASE AND THERE MAY BE MATERIAL CHANGES TO THE STRUCTURE, TERMS AND ASSETS PRIOR TO THE OFFERING OF ANY SECURITIES (THE "SECURITIES"), NEITHER THE MATERIAL, NOR THIS SUMMARY IS AN OFFER TO SELL, OR A SOLICITATION TO BUY, THE SECURITIES OR ANY OTHER INVESTMENT. ANY SUCH OFFERING OF THE SECURITIES WILL ONLY BE MADE PURSUANT TO A FINAL OFFERING CIRCULAR RELATING TO THE SECURITIES (THE "OFFERING CIRCULAR"), WHICH WILL CONTAIN MATERIAL INFORMATION NOT CONTAINED IN THE MATERIAL AND TO WHICH THE PROSPECTIVE PURCHASERS ARE DIRECTED. IN THE EVENT OF ANY SUCH OFFERING, THE MATERIAL AND THIS SUMMARY WILL BE DEEMED SUPERCEDED, AMENDED AND SUPPLEMENTED IN THEIR ENTIRETY BY THE OFFERING CIRCULAR (INCLUDING ANY PRELIMINARY VERSION THEREOF). THIS SUMMARY IS CONFIDENTIAL AND PROPRIETARY TO MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATES AND ITS AFFILIATES (COLLECTIVELY, "MERRILL LYNCH") AND, ACCORDINGLY, EXCEPT AS DESCRIBED BELOW, THE SUMMARY IS TO BE TREATED AS STRICTLY CONFIDENTIAL AND NOT DISCLOSED DIRECTLY OR INDIRECTLY TO ANY PARTY OTHER THAN THE RECIPIENT AND ITS ADVISERS OR USED FOR ANY PURPOSE OTHER THAN TO MAKE A PRELIMINARY ANALYSIS OF THE SECURITIES. NOTWITHSTANDING THE FOREGOING, RECIPIENTS OF THIS SUMMARY AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THE ISSUER AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. THIS AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PRECLUDE DISCLOSURE OF INFORMATION IDENTIFYING THE ISSUER, THE INVESTMENT ADVISER, COLLATERAL MANAGER OR ANY OTHER PARTY OR THE PROCEEDINGS EXCEPT TO THE EXTENT POSSIBLE IS RELEVANT TO THE STRUCTURE OR TAX TREATMENT OF THE CDO. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THE INFORMATION CONTAINED IN THE MATERIAL, AS AMENDED AND SUPERCEDED BY THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR RELATING TO THE EVENTUAL OFFERING. IF ANY OF THE SECURITIES, THE SECURITIES DESCRIBED HEREIN, IS OFFERED, WILL NOT BE REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION. THIS SUMMARY MAY NOT BE DISSEMINATED OTHER THAN (I) WITHIN THE UNITED STATES OF AMERICA, TO INVESTORS THAT ARE BOTH (A) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED BY RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED) (THE "SECURITIES ACT") OR (B) "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT AND, IN EACH CASE, WHO ARE ALSO (B)(7) "QUALIFIED PURCHASERS" WITHIN THE MEANING OF SECTION 3(C)(7) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") OR (C) "NON-RESIDENT EMPLOYEES" WITH RESPECT TO THE ISSUER OF THE SECURITIES WITHIN THE MEANING OF RULE 3(C)S PROMULGATED UNDER THE INVESTMENT COMPANY ACT AND (D) OUTSIDE THE UNITED STATES OF AMERICA, TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. THE OFFER OR SALE OF THE SECURITIES MAY BE FURTHER RESTRICTED BY LAW AND THE RESTRICTIONS SET FORTH IN THE OFFERING CIRCULAR. POTENTIAL INVESTORS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL RESTRICTIONS ON THEIR INVOLVEMENT IN THE TRANSACTION. ADDITIONAL NET WORTH AND/OR SOPHISTICATED REQUIREMENTS MAY BE REQUIRED OF INDIVIDUAL NON-US PERSONS. APPLICATION WILL BE MADE TO LIST THE SECURITIES ON THE IRISH STOCK EXCHANGE LIMITED ("IRISH STOCK EXCHANGE"). THERE CAN BE NO ASSURANCE THAT LISTING ON THE IRISH STOCK EXCHANGE WILL BE GRANTED. PROSPECTIVE INVESTORS SHOULD NOT CONSTITUTE THIS SUMMARY, THE MATERIAL, THE OFFERING CIRCULAR OR ANY PRIOR OR SUBSEQUENT COMMUNICATION AS LEGAL, ACCOUNTING OR TAX ADVICE. CERTAIN INFORMATION IS PRESENTED IN SUMMARY FORM AND IS NOT COMPLETE. IN ADDITION, CERTAIN INFORMATION CONTAINED HEREIN HAS BEEN PROVIDED BY THIRD PARTIES AND HAS NOT BEEN INDEPENDENTLY VERIFIED BY MERRILL LYNCH AND MERRILL LYNCH MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR THE COMPLETENESS OF SUCH INFORMATION. AN INVESTMENT IN THE SECURITIES PRESENTS SUBSTANTIAL RISKS AND INVESTORS SHOULD BE PREPARED TO SUFFER A LOSS OF THEIR ENTIRE INVESTMENT. PRIOR TO MAKING AN INVESTMENT DECISION, AN INVESTOR SHOULD CONDUCT SUCH INVESTIGATIONS AS SUCH INVESTOR DEEMS NECESSARY IN ORDER TO DETERMINE IF AN INVESTMENT IN THE SECURITIES OFFERED BY THE OFFERING CIRCULAR IS APPROPRIATE AND SUITABLE FOR SUCH INVESTOR AND SHOULD CONSULT SUCH INVESTOR'S OWN LEGAL, ACCOUNTING AND TAX ADVISERS IN ORDER TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN SUCH SECURITIES AND TO MAKE AN INDEPENDENT EVALUATION OF SUCH INVESTMENT. WITH RESPECT TO INSTITUTIONAL CLIENTS, MERRILL LYNCH IS ACTING IN THE CAPACITY OF AN ARM'S LENGTH CONTRACTUAL COUNTERPARTY AND NOT IN THE CAPACITY OF A FINANCIAL ADVISOR OR FIDUCIARY. FORWARD LOOKING STATEMENTS, ANY PROJECTIONS, FORECASTS AND ESTIMATES CONTAINED IN THIS SUMMARY ARE FORWARD LOOKING STATEMENTS AND ARE BASED UPON ASSUMPTIONS. PROJECTIONS ARE NECESSARILY SPECULATIVE IN NATURE, AND IT CAN BE EXPECTED THAT SOME OR ALL OF THE ASSUMPTIONS UNDERLYING THE PROJECTIONS WILL NOT MATERIALIZE OR WILL VARY SIGNIFICANTLY FROM ACTUAL RESULTS. ACCORDINGLY, THE PROJECTIONS ARE ONLY AN ESTIMATE. ACTUAL RESULTS WILL DIFFER AND MAY VARY SUBSTANTIALLY FROM THE PROJECTIONS SHOWN. IN ADDITION, CERTAIN ANALYSES ARE BASED ON MATHEMATICAL MODELS THAT USE HYPOTHETICAL INPUTS TO CALCULATE RESULTS. AS WITH ALL MODELS, RESULTS MAY VARY SIGNIFICANTLY DEPENDING UPON THE VALUES OF THE INPUTS USED. MODELS USED IN ANY ANALYSIS MAY BE PROPRIETARY, MAKING THE RESULTS DIFFICULT FOR ANY THIRD PARTY TO REPRODUCE. MOREOVER, HYPOTHETICAL PERFORMANCE ANALYSES WILL ADDRESS ONLY CERTAIN ASPECTS OF THE CHARACTERISTICS OF THE SECURITIES AND WILL NOT PROVIDE A COMPLETE ASSESSMENT OF THE RESULTS THAT MAY FOLLOW FROM ALL POSSIBLE CONTINGENCIES (INCLUDING DEFAULT, INTEREST RATE AND OTHER SCENARIOS) AND CERTAIN ECONOMIC FEATURES OF THE SECURITIES, INCLUDING CALL FEATURES AND CASH FLOW DEFERRAL EVENTS. PROSPECTIVE INVESTORS SHOULD UNDERSTAND THE ASSUMPTIONS USED IN ANY ANALYSIS AND EVALUATE WHETHER THEY ARE APPROPRIATE FOR THEIR PURPOSES. PROSPECTIVE INVESTORS SHOULD FURTHER CONSIDER WHETHER THE BEHAVIOR OF THESE SECURITIES SHOULD BE TESTED BASED ON ASSUMPTIONS DIFFERENT FROM THOSE USED TO PREPARE THE ANALYSES. NOTE TO HISTORICAL DATA: ANY HISTORICAL INVESTMENT RESULTS OF ANY PERSON OR ENTITY DESCRIBED IN THIS SUMMARY ARE NOT INDICATIVE OF THE ISSUER'S FUTURE INVESTMENT RESULTS. SUCH RESULTS ARE INTENDED ONLY TO GIVE POTENTIAL INVESTORS INFORMATION CONCERNING THE GENERAL EXPERIENCE OF THE RELEVANT PERSON OR ENTITY AS AN ASSET MANAGER OR ADVISOR AND IS NOT INTENDED AS A REPRESENTATION OR WARRANTY BY MERRILL LYNCH OR ANY OTHER PERSON OR ENTITY AS TO THE ACTUAL COMPOSITION OR PERFORMANCE OF ANY FUTURE INVESTMENTS THAT WOULD BE MADE BY THE ISSUER. THE NATURE OF, AND RISKS ASSOCIATED WITH, THE ISSUER'S FUTURE INVESTMENTS MAY DIFFER SUBSTANTIALLY FROM (AND WILL BE SUBJECT TO) CONSTRAINTS THAT WERE NOT APPLICABLE TO THOSE INVESTMENTS AND STRATEGIES UNDERTAKEN HISTORICALLY BY SUCH PERSONS AND ENTITIES. THERE CAN BE NO ASSURANCE THAT THE ISSUER'S INVESTMENTS WILL PERFORM AS WELL AS, OR IN A MANNER SIMILAR TO, THE PAST INVESTMENTS OF ANY SUCH PERSONS OR ENTITIES. FOR THESE REASONS, THERE ARE LIMITATIONS ON THE VALUE OF THE HYPOTHETICAL ILLUSTRATIONS CONTAINED HEREIN. THIS SUMMARY IS PROVIDED TO YOU ON THE UNDERSTANDING THAT AS A SOPHISTICATED INVESTOR, YOU WILL UNDERSTAND AND ACCEPT ITS INHERENT LIMITATIONS. WILL NOT RELY ON IT IN MAKING ANY INVESTMENT DECISION WITH RESPECT TO ANY SECURITIES THAT MAY BE ISSUED, AND WILL USE IT ONLY FOR THE PURPOSE OF DISCUSSING WITH MERRILL LYNCH YOUR PRELIMINARY INTEREST IN INVESTING IN A TRANSACTION OF THE TYPE DESCRIBED. POTENTIAL INVESTORS ARE URGED TO CONDUCT THEIR OWN INVESTIGATION REGARDING THE UNDERLYING ASSET CLASSES, INCLUDING REVIEWING ANY SOURCES CITED HEREIN AND OBTAINING ADDITIONAL INFORMATION REGARDING THE UNDERLYING COLLATERAL. FOR UK INVESTORS ONLY: THIS DOCUMENT HAS BEEN APPROVED FOR DISTRIBUTION IN THE UK BY MERRILL LYNCH INTERNATIONAL, WHICH IS REGULATED BY THE SECURITIES AND FUTURES ASSOCIATION. THE SECURITIES DESCRIBED HEREIN ARE NOT AVAILABLE IN THE UK TO PRIVATE INVESTORS AS DEFINED BY THE SECURITIES AND FUTURES ASSOCIATION. THIS DOCUMENT IS ONLY COMMUNICATED TO AND IS DIRECTED AT (A) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(6) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION ORDER 2001) (THE "ORDER"), (B) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 19(6)(d) OF THE ORDER, OR (C) ANY CLIENT IDENTIFIED IN THE UNDERSTANDING THAT AS A SOPHISTICATED INVESTOR, YOU WILL UNDERSTAND AND ACCEPT ITS INHERENT LIMITATIONS. FOR THE PURPOSES OF THE "SAHARAD" PART OF ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS". IN ADDITION TO BEING AN INTERMEDIATE CUSTOMER, AN INVESTOR MUST ALSO HAVE AT LEAST US\$5 MILLION (OR EQUIVALENT) IN NET INVESTMENTS. THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS ONLY AVAILABLE TO RELEVANT PERSONS.

**Bernoulli High Grade CDO I, Ltd.**

**THE OFFERING:**

\$[1,500.0] million Collateralized Debt Obligation ("CDO") Notes and Income Notes issued by Bernoulli High Grade CDO I, Ltd.

**INVESTMENT ADVISOR:**

Babcock & Brown Securities Pty Ltd ("Babcock & Brown" or "BBS")

	CLASS A-1A NOTES <sup>(1)(6)</sup>	CLASS A-1B NOTES <sup>(1)(6)</sup>	CLASS A-2 NOTES <sup>(1)</sup>	CLASS B NOTES <sup>(1)</sup>	CLASS C DEFERRABLE NOTES <sup>(1)</sup>	CLASS D DEFERRABLE NOTES <sup>(1)</sup>	INCOME NOTES <sup>(1)</sup>
Principal	\$[945,000,000]	\$[360,000,000]	\$[90,000,000]	\$[60,000,000]	\$[15,000,000]	\$[15,000,000]	\$[15,000,000]
Percentage	[63.0]%	[24.0]%	[6.0]%	[4.0]%	[1.0]%	[1.0]%	[1.0]%
Coupon Type	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Floating]	[Residual]
Expected Rating	[Aaa/AAA/AAA]	[Aaa/AAA/AAA]	[Aaa/AAA/AAA]	[Aa2/AA/AA]	[A2/A/A]	[Baa2/BBB/BBB]	[Ba2] to principal only
Rating Agency	[Moody's/S&P/Fitch]	[Moody's/S&P/Fitch]	[Moody's/S&P/Fitch]	[Moody's/S&P/Fitch]	[Moody's/S&P/Fitch]	[Moody's/S&P/Fitch]	[Moody's]
Average Life <sup>(7)</sup>	[6.1] yrs.	[6.1] yrs	[6.2] yrs.	[6.2] yrs.	[6.2] yrs.	[6.2] yrs.	[NA]
Stated Maturity	[2042]	[2042]	[2042]	[2042]	[2042]	[2042]	[2042]
Denomination <sup>(8)</sup>	\$[250,000] minimum \$[1,000] increments	\$[250,000] minimum \$[1,000] increments	\$[250,000] minimum \$[1,000] increments	\$[250,000] minimum \$[1,000] increments	Securities Retained by Babcock & Brown vehicle		

- (1) Payments on the A-1A Notes will be made monthly and payments on the remaining notes and Income Notes will be made quarterly.
- (2) Based on a [8] year auction call.
- (3) With some exceptions (yet to be determined)
- (4) The Class A-1B will be unfunded.
- (5) The Class A-1A Notes may not be fully funded at Closing.

**STRUCTURE**

**Issuer:** Bernoulli High Grade CDO I, Ltd.  
**Investment Advisor:** Babcock & Brown Securities Pty Ltd  
**Anticipated Closing Date:** [March 2006]  
**Ramp Up Period:** At least [80]% of the portfolio will be purchased or identified by closing; [120] day ramp up period  
**Coupon Payment Dates:** Quarterly, beginning in [July 2006]  
**Ramp-Up Period:** [120 days]  
**Non-Call Period:** [4] years (thereafter, all of the Notes and Income Notes may be called by a majority vote of the Income Notes)  
**Mandatory Auction Call:** [8] years – Equity IRR for successful auction call: [8]% from [April 2014] through [January 2016]; [6]% from [April 2016] through [January 2018]; and [4]% thereafter.  
**Reinvestment of Fixed Collateral:** Only principal proceeds resulting from amortization of fixed rate assets or sales of credit risk fixed rate assets may be reinvested, and only to purchase additional fixed rate assets.  
**Pro Rata Paydown:** Principal amortization will be used to pay down the Notes on a pro rata basis until either [50]% of the collateral has amortized or the Sequential Pay Test is triggered. If any other coverage test is not in compliance, it must be cured before pro rata paydowns can continue.

**COVERAGE TESTS**

	O/C Tests <sup>(1)</sup>	Initial O/C <sup>(2)</sup>
Class A/B <sup>(3)</sup>	[101.69]%	[103.09]%
Class C/D <sup>(4)</sup>	[100.41]%	[101.01]%
Sequential Pay Ratio	[105.38]%	[107.53]%

- (1) Test Level represents the levels that must be passed in order not to cause accelerated redemption of the Notes.
- (2) Initial represents expected characteristics of target portfolio.
- (3) In the event that the Class A/B O/C Test is breached in the interest waterfall, interest will be used first to pay down the Class A-1 Notes, followed by the Class A-2 Note and then the Class B Notes. In the event that the Class A/B O/C Test is breached in the principal waterfall, principal will be used first to pay down the Class A-1 Notes, followed by the Class A-2 Notes and then the Class B Notes.
- (4) In the event that the Class C/D O/C Test is breached in the interest waterfall, interest will be used to pay down the Class C Notes and the Class D Notes, on a pro rata basis, until the test is cured. In the event that the Class C/D O/C Test is breached in the principal waterfall, principal will be used to pay down the Notes on a sequential basis beginning with the most senior outstanding Notes.

**FEES AND EXPENSES <sup>(5)</sup>**

Senior Management Fees during Non-Call Period: [5.0] bps per annum  
 Senior Management Fees after Non-Call Period: [10.0] bps per annum  
 Trustee Fees and Admin Expenses: [2.25] bps per annum

- (5) Includes certain up-front closing fees associated with this transaction, including Merrill Lynch structuring and placement fees, legal, agency, and other fees.

**COLLATERAL CHARACTERISTICS**

- Minimum Weighted Average Coupon <sup>(10)</sup> [5.68]%
- Expected WARF <sup>(6)(7)</sup> <[40] (Aa3)
- Maximum Moody's Correlation Level <sup>(7)</sup> [0.25]
- Maximum Single Servicer Concentration <sup>(8)</sup> [7.5]%
- Maximum Below Aa3 [15]%
- Maximum Weighted Average Life [7.00] Years
- Minimum Number of Obligors [100]
- Minimum Weighted Average Spread <sup>(9)</sup> [0.54]%
- Maximum Single Issuer Concentration <sup>(11)</sup> [1.00]%
- Maximum Fixed Collateral [25.0]%
- Minimum Rating at Original Purchase [A3]
- Maximum CDOs [35]%
- Maximum Synthetic Securities [25]%

- (6) For purposes of calculating the Moody's rating factor, any Collateral Obligation that has been placed and remains on positive/negative credit watch will be deemed to have a Moody's rating of the next higher/lower rating subcategory respectively.
- (7) Weighted Average Rating Factor and portfolio Correlation limits will be based on a WARF – Correlation Matrix. The maximum Moody's weighted average rating factor will be [55]
- (8) With some exceptions (See Bernoulli High Grade CDO I Offering Circular).
- (9) The expected weighted average spread is [0.56]%
- (10) The WAC includes the blended IC. The expected weighted average coupon is [5.71]%
- (11) With a maximum of [3] obligors greater than [1.5]% and up to [2.0]% and [10] obligors greater than [1.0]% and up to [1.5]%

Global Structured Products	CDO Marketing/Global Structured Products	ABS Trading and Syndicate
Christopher Ricciardi (212) 449-9638	US: Doug Mallach (212) 449-6190	Cliff Lanier (212) 449-5383
Harin De Silva (212) 449-9359	Canada: Barry Dennis (212) 449-0394	Marie Walsh (212) 449-5383
Cecilia Pan (212) 449-0867	Europe: Bill Berry 44-20-7995-4678	Jason Lamin (212) 449-5383
Josh Polinelli (212) 449-8231	Asia: Taro Masuyama 81-3-3213-7473	Marco Pavoncelli 44-207-996-3743
Julie Kesteman (212) 449-3054		Institutional Advisory Division
		Mike Foggia (212) 449-6190

## Global Structured Products

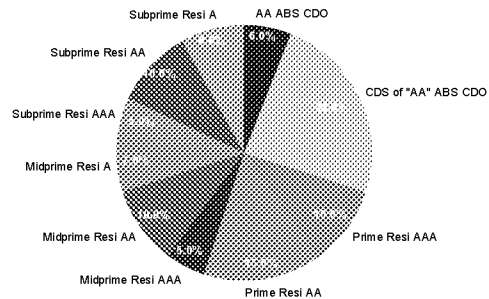
### Why Invest in Structured Finance Securities?

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### Representative Portfolio



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(1) Source: Babcock & Brown, as of February 2006

BREAKEVEN DEFAULT RATES	Based on a Break in Yield		Based on 0% Yield	
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- (4) All information shown in these materials is for illustrative purposes only. The actual structure of the final transaction, including the composition of the collateral to be acquired, will be determined at or around the time of pricing of the Notes based upon market conditions and other factors applicable at that time. Consequently the actual structure of the final transaction including the composition of the collateral may vary from those illustrated and the variation may be material. See Important Notice below.

### Important Notice:

THIS SUMMARY IS A SUMMARY OF THE CONFIDENTIAL DISCUSSION MATERIAL – BERNOULLI HIGH GRADE CDO LTD. ("THE MATERIAL") AND SHOULD BE READ IN CONJUNCTION THEREWITH, INCLUDING "TRANSACTION HIGHLIGHTS – STRUCTURING ASSUMPTIONS" THERETO. THE MATERIAL OUTLINES CERTAIN CHARACTERISTICS OF A PROPOSED COLLATERALIZED DEBT OBLIGATION TRANSACTION ("CDO"). THE MATERIAL IS PRESENTED SOLELY FOR PURPOSES OF DISCUSSION TO ASSIST PROSPECTIVE INVESTORS IN DETERMINING WHETHER THEY HAVE A PRELIMINARY INTEREST IN INVESTING IN A TRANSACTION WITH THE GENERAL CHARACTERISTICS DESCRIBED HEREIN. THIS TRANSACTION IS IN A STRUCTURING PHASE AND THERE MAY BE MATERIAL CHANGES TO THE STRUCTURE, TERMS AND ASSETS PRIOR TO THE OFFERING OF ANY SECURITIES. NEITHER THE MATERIAL, NOR THIS SUMMARY, IS AN OFFER TO SELL, OR A SOLICITATION TO BUY, THE SECURITIES OR ANY OTHER INVESTMENT. ANY SUCH OFFERING OF THE SECURITIES WILL ONLY BE MADE PURSUANT TO A FINAL OFFERING CIRCULAR RELATING TO THE SECURITIES (THE "OFFERING CIRCULAR"), WHICH WILL CONTAIN MATERIAL INFORMATION NOT CONTAINED IN THE MATERIAL AND TO WHICH THE PROSPECTIVE PURCHASERS ARE DIRECTED. IN THE EVENT OF ANY SUCH OFFERING, THE MATERIAL AND THIS SUMMARY WILL BE DEEMED SUPERCEDED, AMENDED AND SUPPLEMENTED IN THEIR ENTIRETY BY THE OFFERING CIRCULAR (INCLUDING ANY PRELIMINARY VERSION THEREOF). THIS SUMMARY IS CONFIDENTIAL AND PROPRIETARY TO MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED AND ITS AFFILIATES (COLLECTIVELY, "MERRILL LYNCH") AND, ACCORDINGLY, EXCEPT AS DESCRIBED BELOW, THE SUMMARY IS TO BE TREATED AS STRICTLY CONFIDENTIAL AND NOT DISCLOSED DIRECTLY OR INDIRECTLY TO ANY PARTY OTHER THAN THE RECIPIENT AND ITS ADVISERS OR USED FOR ANY PURPOSE OTHER THAN TO MAKE A PRELIMINARY ANALYSIS OF THE SECURITIES. NOTWITHSTANDING THE FOREGOING, RECIPIENTS OF THIS SUMMARY AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THE ISSUER AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. THIS AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PERMIT DISCLOSURE OF INFORMATION IDENTIFYING THE ISSUER, THE INVESTMENT ADVISER, COLLATERAL MANAGER OR ANY OTHER PARTY OR THE PRICING EXCEPT TO THE EXTENT SUCH DISCLOSURE IS NECESSARY TO TAX STRUCTURE OR TAX TREATMENT OF THE CDO. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THE INFORMATION CONTAINED IN THE MATERIAL, AS AMENDED AND SUPERCEDED BY THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR RELATING TO THE EVENTUAL OFFERING, IF ANY, OF THE SECURITIES. THE SECURITIES DESCRIBED HEREIN, IF OFFERED, WILL NOT BE REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION. THIS SUMMARY MAY NOT BE DISSEMINATED OTHER THAN IN THE UNITED STATES OF AMERICA, TO INVESTORS THAT ARE BOTH (A) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED BY RULE 144 UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED) ("SECURITIES ACT") OR (B) "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT AND, IN EACH CASE, WHO ARE ALSO (B) "QUALIFIED PURCHASERS" WITHIN THE MEANING OF SECTION 3(C)(7) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") OR (B) "NON-DELEGABLE EMPLOYEES" WITH RESPECT TO THE ISSUER OF THE SECURITIES WITHIN THE MEANING OF RULE 3C-3 PROHIBITED UNDER THE INVESTMENT COMPANY ACT AND (C) OUTSIDE THE UNITED STATES OF AMERICA, TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT. THE OFFER OR SALE OF THE SECURITIES MAY BE FURTHER RESTRICTED BY LAW AND THE RESTRICTIONS SET FORTH IN THE OFFERING CIRCULAR. POTENTIAL INVESTORS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL RESTRICTIONS ON THEIR INVESTMENT IN THE TRANSACTION. ADDITIONAL NET WORTH AND/OR SOPHISTICATED REQUIREMENTS MAY BE REQUIRED OF INDIVIDUAL NON-U.S. PERSONS. APPLICATION WILL BE MADE TO LIST THE SECURITIES ON THE IRISH STOCK EXCHANGE LIMITED ("IRISH STOCK EXCHANGE"). THERE CAN BE NO ASSURANCE THAT LISTING ON THE IRISH STOCK EXCHANGE WILL BE GRANTED. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUCT THE MATERIAL, THE OFFERING CIRCULAR OR ANY PRIOR OR SUBSEQUENT COMMUNICATION AS LEGAL, ACCOUNTING OR TAX ADVICE. CERTAIN INFORMATION IS PRESENTED IN SUMMARY FORM AND IS NOT COMPLETE. IN ADDITION, CERTAIN INFORMATION CONTAINED HEREIN HAS BEEN PROVIDED BY THIRD PARTIES AND HAS NOT BEEN INDEPENDENTLY VERIFIED BY MERRILL LYNCH AND MERRILL LYNCH MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR THE COMPLETENESS OF SUCH INFORMATION. AN INVESTMENT IN THE SECURITIES PRESENTS SUBSTANTIAL RISKS AND INVESTORS SHOULD BE PREPARED TO SUFFER A LOSS OF THEIR ENTIRE INVESTMENT. PRIOR TO MAKING AN INVESTMENT DECISION, AN INVESTOR SHOULD CONDUCT SUCH INVESTIGATIONS AS SUCH INVESTOR DEEMS NECESSARY IN ORDER TO DETERMINE IF AN INVESTMENT IN THE SECURITIES OFFERED BY THE OFFERING CIRCULAR IS APPROPRIATE AND SUITABLE FOR SUCH INVESTOR AND SHOULD CONSULT SUCH INVESTOR'S OWN LEGAL, ACCOUNTING AND TAX ADVISERS IN ORDER TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN SUCH SECURITIES AND TO MAKE AN INDEPENDENT EVALUATION OF SUCH INVESTMENT, WITH RESPECT TO INSTITUTIONAL CLIENTS, MERRILL LYNCH IS ACTING IN THE CAPACITY OF AN ARM'S LENGTH CONTRACTUAL COUNTERPARTY AND NOT IN THE CAPACITY OF A FINANCIAL ADVISOR OR FIDUCIARY. FORWARD LOOKING STATEMENTS, ANY PROJECTIONS, FORECASTS AND ESTIMATES CONTAINED IN THIS SUMMARY ARE FORWARD LOOKING STATEMENTS AND ARE BASED UPON ASSUMPTIONS. PROJECTIONS ARE NECESSARILY SPECULATIVE IN NATURE, AND IT CAN BE EXPECTED THAT SOME OR ALL OF THE ASSUMPTIONS UNDERLYING THE PROJECTIONS WILL NOT MATERIALIZE OR WILL VARY SIGNIFICANTLY FROM ACTUAL RESULTS. ACCORDINGLY, THE PROJECTIONS ARE ONLY AN ESTIMATE. ACTUAL RESULTS WILL DIFFER AND MAY VARY SUBSTANTIALLY FROM THE PROJECTIONS SHOWN. IN ADDITION, CERTAIN ANALYSES ARE BASED ON MATHEMATICAL MODELS THAT USE HYPOTHETICAL INPUTS TO CALCULATE RESULTS. AS WITH ALL MODELS, RESULTS MAY VARY SIGNIFICANTLY DEPENDING UPON THE VALUES OF THE INPUTS USED. MODELS USED IN ANY ANALYSIS MAY BE PROPRIETARY, MAKING THE RESULTS DIFFICULT FOR ANY THIRD PARTY TO REPRODUCE. MOREOVER, HYPOTHETICAL PERFORMANCE ANALYSES WILL ADDRESS ONLY CERTAIN ASPECTS OF THE CHARACTERISTICS OF THE SECURITIES AND WILL NOT PROVIDE A COMPLETE ASSESSMENT OF THE RESULTS THAT MAY FOLLOW FROM ALL POSSIBLE CONTINGENCIES (INCLUDING DEFAULT, INTEREST RATE AND OTHER ECONOMIC FEATURES) OF THE SECURITIES, INCLUDING CALL FEATURES AND CASH FLOW DIVERSION EVENTS. PROSPECTIVE INVESTORS SHOULD UNDERSTAND THE ASSUMPTIONS USED IN ANY ANALYSIS AND EVALUATE WHETHER THEY ARE APPROPRIATE FOR THEIR PURPOSES. PROSPECTIVE INVESTORS SHOULD FURTHER CONSIDER WHETHER THE BEHAVIOR OF THESE SECURITIES SHOULD BE TESTED BASED ON ASSUMPTIONS DIFFERENT FROM THOSE USED TO PREPARE THE ANALYSES. NOTE TO HISTORICAL DATA: ANY HISTORICAL INVESTMENT RESULTS OF ANY PERSON OR ENTITY DESCRIBED IN THIS SUMMARY ARE NOT INDICATIVE OF THE ISSUER'S FUTURE INVESTMENT RESULTS. SUCH RESULTS ARE INTENDED ONLY TO GIVE POTENTIAL INVESTORS INFORMATION CONCERNING THE GENERAL EXPERIENCE OF THE RELEVANT PERSON OR ENTITY AS AN ASSET MANAGER OR ADVISER AND IS NOT INTENDED AS A REPRESENTATION OR WARRANTY BY MERRILL LYNCH OR ANY OTHER PERSON OR ENTITY AS TO THE ACTUAL COMPOSITION OF THE INVESTMENT OR THE PERFORMANCE OF ANY FUTURE INVESTMENTS THAT WOULD BE MADE BY THE ISSUER. THE NATURE OF, AND RISKS ASSOCIATED WITH, THE ISSUER'S FUTURE INVESTMENTS MAY DIFFER SUBSTANTIALLY FROM (AND WILL BE SUBJECT TO) CONSTRAINTS THAT WERE NOT APPLICABLE TO THOSE INVESTMENTS AND STRATEGIES UNDERTAKEN HISTORICALLY BY SUCH PERSONS AND ENTITIES. THERE CAN BE NO ASSURANCE THAT THE ISSUER'S INVESTMENTS WILL PERFORM AS WELL AS, OR IN A MANNER SIMILAR TO, THE PAST INVESTMENTS OF ANY SUCH PERSONS OR ENTITIES. FOR THESE REASONS, THERE ARE LIMITATIONS ON THE VALUE OF THE HYPOTHETICAL ILLUSTRATIONS CONTAINED HEREIN. THIS SUMMARY IS PROVIDED TO YOU ON THE UNDERSTANDING THAT AS A SOPHISTICATED INVESTOR, YOU WILL UNDERSTAND AND ACCEPT ITS INHERENT LIMITATIONS. WILL NOT RELY ON IT IN MAKING ANY INVESTMENT DECISION WITH RESPECT TO ANY SECURITIES THAT MAY BE ISSUED, AND WILL USE IT ONLY FOR THE PURPOSE OF DISCUSSING WITH MERRILL LYNCH YOUR PRELIMINARY INTEREST IN INVESTING IN A TRANSACTION OF THE TYPE DESCRIBED. POTENTIAL INVESTORS ARE URGED TO CONDUCT THEIR OWN INVESTIGATION REGARDING THE UNDERLYING ASSET CLASSES, INCLUDING REVIEWING ANY SOURCES CITED HEREIN AND OBTAINING ADDITIONAL INFORMATION REGARDING THE UNDERLYING COLLATERAL.

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