Glacier Funding CDO V, Ltd.
A CDO Managed by:
Terwin Money Management LLC

TERWIN
money management

Merrill Lynch
Global Markets & Investment Banking Group

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YOU SHOULD READ CAREFULLY THE INFORMATION SET FORTH IN THE "RISK FACTORS" AND "TAX CONSIDERATIONS" SECTIONS CONTAINED HEREIN. THE OFFERING CIRCULAR WILL CONTAIN INFORMATION AS TO THE RISK FACTORS AND TAX CONSIDERATIONS THAT YOU SHOULD READ PRIOR TO THE PURCHASE OF ANY OFFERED SECURITIES.

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Moreover, hypothetical performance analyses will address only certain aspects of the characteristics of the Offered Securities and will not provide a complete assessment of the results that may follow from all possible contingencies (including, but not limited to, default, interest rate and other scenarios and certain economic features of the Offered Securities, including call features and cash flow diversion events). You should understand the assumptions used in any analysis and evaluate whether such assumptions are appropriate for their purposes. You should further consider whether the behavior of these Offered Securities should be tested based on assumptions different from those used to prepare the analyses. Neither the Collateral Manager nor Merrill Lynch assumes any duty to update any forward looking statement.

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YOU SHOULD READ CAREFULLY THE INFORMATION SET FORTH IN THE "RISK FACTORS" AND "TAX CONSIDERATIONS" SECTIONS CONTAINED HEREIN. THE OFFERING CIRCULAR WILL CONTAIN INFORMATION AS TO THE RISK FACTORS AND TAX CONSIDERATIONS THAT YOU SHOULD READ PRIOR TO THE PURCHASE OF ANY OFFERED SECURITIES.
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1. Transaction Summary

This information is provided for illustrative purposes only. The transaction is in a structuring phase and may be subject to change.
Transaction Summary

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.

- Glacier Funding CDO V, Ltd ("Glacier Funding CDO V" or the "Issuer") will be a newly formed mezzanine collateralized debt obligation issuer ("CDO") incorporated under the laws of the Cayman Islands that will be managed by Terwin Money Management LLC.
- Glacier Funding CDO V plans to issue $500 million of securities (the "Offered Securities") backed by a portfolio of Asset-Backed Securities ("ABS"), Residential Mortgage-Backed Securities ("RMBS")\(^1\), Commercial Mortgage Backed Securities ("CMBS" and collectively with ABS and RMBS, "Structured Finance Securities"), securities issued by other CDOs that are primarily backed by Structured Finance Securities ("ABS CDO Securities")\(^3\) and Synthetic Securities\(^5\) of which the reference obligation(s) are any of the foregoing.
- It is anticipated that the portfolio will consist of approximately [90]% Structured Finance Securities (or Synthetic Securities referencing the same) and [10]% ABS CDO Securities (or Synthetic Securities referencing the same). Up to [60]% may consist of Synthetic Securities.
- Structured Finance Securities have historically exhibited lower default rates, higher recovery upon default and better rating stability than comparably rated corporate bonds.\(^4\)
- Glacier Funding CDO V will issue the following nine Classes of Offered Securities to be backed primarily by Structured Finance Securities, ABS CDO Securities and Synthetic Securities\(^5\):

**Assets held by Glacier Funding CDO V**

**Securities issued by Glacier CDO V**

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\(^1\) RMBS includes "RMBS - Prime" which are securities that have a weighted average FICO greater than or equal to 700; "RMBS - Midprime" which are securities that have a weighted average FICO greater than 625 but less than 700; and "RMBS - Subprime" which are securities that have a weighted average FICO less than or equal to 625. A FICO score is a credit score that indicates the likelihood that credit users will pay their bills.

\(^2\) The Structured Finance Securities and ABS CDO Securities refer to securities that will be purchased by Glacier Funding CDO V to make up the collateral. They should not be confused with the Offered Securities.

\(^3\) Please see "Risk Factors — Synthetic Securities" for further information relating to the risks of investing in Synthetic Securities.


\(^5\) Please see "Transaction Highlights - Structuring Assumptions" for a description of modeling assumptions.

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2. Asset Class Selection
A. Structured Finance Securities Market Overview
The Offered Securities from Glacier Funding CDO V, Ltd will be backed by a portfolio of Structured Finance Securities (including ABS, RMBS, CMBS and ABS CDO Securities in cash or synthetic form). Accordingly, an investment in the Offered Securities of Glacier Funding CDO V, Ltd represents both direct and indirect exposure to Structured Finance Securities.

### Historical Defaults

<table>
<thead>
<tr>
<th>Historical default rates for Aa-Rated Structured Finance Securities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RMBS 1-year cumulative impairment rate (1993 - 2005)</td>
<td>~0.00%</td>
</tr>
<tr>
<td>CMBS 1-year cumulative impairment rate (1993 - 2005)</td>
<td>~0.00%</td>
</tr>
<tr>
<td>ABS 1-year cumulative impairment rate (1993 - 2005)</td>
<td>~0.14%</td>
</tr>
<tr>
<td>ABS CDO Security(^{(4)}) impairment rate</td>
<td>not available</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Historical default rates for A-Rated Structured Finance Securities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RMBS 1-year cumulative impairment rate (1993 - 2005)</td>
<td>~0.00%</td>
</tr>
<tr>
<td>CMBS 1-year cumulative impairment rate (1993 - 2005)</td>
<td>~0.00%</td>
</tr>
<tr>
<td>ABS 1-year cumulative impairment rate (1993 - 2005)</td>
<td>~0.05%</td>
</tr>
<tr>
<td>ABS CDO Security(^{(4)}) impairment rate</td>
<td>not available</td>
</tr>
</tbody>
</table>

**NOTE:** The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success. See “Important Notice — Note to Historical Data.”

"Impairment" is defined in the study as unsecured payment defaults or securities downgraded to Ca or C. Impairment rates were calculated using original ratings.

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2. Potential investors are urged to conduct their own investigation regarding the underlying asset class including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral. Past performance is not a guarantee or indication of future performance.
3. Synthetic Securities referencing RMBS, CMBS, ABS or ABS CDO Securities are subject to additional risks. Synthetic Securities may comprise significant portions of the portfolio backing each ABS CDO Security as well as the portfolio of the Issuer. A default with respect to a Synthetic Security may be triggered even in situations where the underlying asset has not experienced a payment default in the case of counterparty default, "soft" credit events, and ratings downgrades. See “Risk Factors — Synthetic Securities.”
4. ABS CDO Securities provide indirect exposure to Structured Finance Securities and may expose you to additional risks, including the risk that the defaults of the underlying Structured Finance Securities backing any ABS CDO Securities may be correlated or that the defaults of the ABS CDO Securities themselves may be correlated, the exposure to assets backing such ABS CDO Securities which are not Structured Finance Securities (the exact amount of which may vary from transaction to transaction) and the risk that credit enhancements provided by an ABS CDO Security structure such as subordination and overcollateralization may not be sufficient to protect the holders of such ABS CDO Security from loss.
Structured Finance Securities Market Overview

Historical Defaults (1) (2) (3)

- The Offered Securities from Glacier Funding CDO V, Ltd will be backed by a portfolio of Structured Finance Securities (including ABS, RMBS, CMBS and ABS CDO Securities in cash or synthetic form). Accordingly, an investment in the Offered Securities of Glacier Funding CDO V, Ltd represents both direct and indirect exposure to Structured Finance Securities.

Historical default rates for Baa-Rated Structured Finance Securities

- RMBS 1-year cumulative impairment rate (1993 - 2005) ~0.07%
- CMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%
- ABS 1-year cumulative impairment rate (1993 - 2005) ~0.03%
- ABS CDO Security(4) impairment rate not available

Historical default rates for Ba-Rated Structured Finance Securities

- RMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%
- CMBS 1-year cumulative impairment rate (1993 - 2005) ~0.00%
- ABS 1-year cumulative impairment rate (1993 - 2005) ~0.57%
- ABS CDO Security(4) impairment rate not available

NOTE: The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success. See “Important Notice – Note to Historical Data.”

“Impairment” is defined in the study as unsecured payment defaults or securities downgraded to Ca or C. Impairment rates were calculated using original ratings.

(2) Potential investors are urged to conduct their own investigation regarding the underlying asset class including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral. Past performance is not a guarantee or indication of future performance.
(3) Synthetic Securities referencing RMBS, CMBS, ABS or ABS CDO Securities are subject to additional risks. Synthetic Securities may comprise significant portions of the portfolio backing each ABS CDO Security as well as the portfolio of the Issuer. A default with respect to a Synthetic Security may be triggered even in situations where the corresponding cash asset has not experienced a payment default in the case of counterparty default, “soft” credit events, and ratings downgrades. See “Risk Factors – Synthetic Securities.”
(4) ABS CDO Securities provide indirect exposure to Structured Finance Securities and may expose you to additional risks, including the risk that the defaults of the underlying Structured Finance Securities backing any ABS CDO Securities may be correlated or that the defaults of the ABS CDO Securities themselves may be correlated, the exposure to assets backing such ABS CDO Securities which are not Structured Finance Securities (the exact amount of which may vary from transaction to transaction) and the risk that credit enhancements provided by an ABS CDO Security structure such as subordination and overcollateralization may not be sufficient to protect the holders of such ABS CDO Security from loss.
Structured Finance Securities Market Overview

Historical Recovery Rates of Structured Finance Securities (1)(2)(3)(6)(7)(8)

- A Moody's study on recovery rates of RMBS/Home Equity Loans ("HEL") collateral has concluded the following:
  - Moody's estimated that the recovery rate for "Ba"-rated RMBS/HEL was 67.7%.(1)(5)
  - Moody's estimated that the recovery rate for "Baa"-rated RMBS/HEL was 67.4%.(1)(5)
  - Moody's estimated that the recovery rate for "A"-rated RMBS/HEL was 75.0%.(1)(5)
  - Moody's estimated that the recovery rate for "Aa"-rated RMBS/HEL was 91.3%.(1)(5)
  - Moody's estimated that the recovery rate for "Aaa"-rated RMBS/HEL was 97.7%.(1)(5)

- CMBS and RMBS Structured Finance Securities, including HEL securities, may receive more substantial cashflow in respect of interest and principal after a default than comparable corporate securities.

- Moody's concludes that "the structured finance sector outside the United States excluding CDOs did not have any newly impaired tranches in 2005. The sector's total number of impairments remains at only five for the entire sample period. Declining impairments, coupled with strong growth in the number of outstanding ratings, drove the one-year impairment rate – the number of newly impaired tranches as a percentage of the total tranches outstanding at the beginning of a year – down to historical lows."(4)

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(2) The data discussed in this overview relates only to historical investment performance. Past performance is no guarantee of future performance or success. See "Important Notice."
(3) Potential Investors are urged to conduct their own investigation regarding the underlying asset class including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral.
(5) Data is based on a limited number of defaulted assets. Moody's records the number of defaulted RMBS/HEL Securities that were originally rated "Aaa", "Aa", "A", "Baa", and "Ba" as 11, 25, 19, 115, and 52 respectively. Data for recovery rates is updated through January 2006, with defaults identified as of December 31, 2005 and includes both matured and non-matured tranches.
(6) Past performance is not a guarantee or indication of future performance.
(7) Published data on ABS CDO Securities recovery rates is not currently available.
(8) The recovery value with respect to a Synthetic Security referencing a Structured Finance Security or ABS CDO Security is dependent on settlement mechanics set forth in the terms and conditions of such Synthetic Security, which may be substantially different from the manner in which recovery is paid on the corresponding cash asset. The recovery value with respect to a Synthetic Security referencing a Structured Finance Security or ABS CDO Security may therefore not be the same as, and may be less than, the recovery value with respect to such Structured Finance Security or ABS CDO Security. See "Risk Factors – Synthetic Securities."
Structured Finance Securities Market Overview

Rating Stability (1) (2) (4)

According to a recent Moody's study, the long-term historical average (1997-2006) of unchanged ratings of U.S. Structured Finance Securities and ABS CDO Securities was 92.0%.

One-Year Rating Transition Matrices in All Structured Finance Categories

U.S. Structured Finance Securities and CDOs (2006 only)

<table>
<thead>
<tr>
<th>Rating from:</th>
<th>Aaa</th>
<th>Aa</th>
<th>A</th>
<th>Baa</th>
<th>Ba</th>
<th>B</th>
<th>Caa or below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaa</td>
<td>99.86%</td>
<td>0.11%</td>
<td>0.03%</td>
<td>0.03%</td>
<td>0.02%</td>
<td>0.02%</td>
<td></td>
</tr>
<tr>
<td>Aa</td>
<td>7.15%</td>
<td>92.35%</td>
<td>0.43%</td>
<td>0.80%</td>
<td>0.13%</td>
<td>0.08%</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>2.16%</td>
<td>5.48%</td>
<td>91.35%</td>
<td>0.80%</td>
<td>0.13%</td>
<td>0.08%</td>
<td></td>
</tr>
<tr>
<td>Baa</td>
<td>0.42%</td>
<td>0.87%</td>
<td>4.03%</td>
<td>92.05%</td>
<td>1.51%</td>
<td>0.83%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Ba</td>
<td>0.28%</td>
<td>0.04%</td>
<td>0.56%</td>
<td>3.94%</td>
<td>92.21%</td>
<td>1.93%</td>
<td>1.04%</td>
</tr>
<tr>
<td>B</td>
<td>0.09%</td>
<td>0.18%</td>
<td>0.36%</td>
<td>3.29%</td>
<td>88.72%</td>
<td>7.37%</td>
<td></td>
</tr>
<tr>
<td>Caa or below</td>
<td>0.11%</td>
<td>0.11%</td>
<td>0.55%</td>
<td>99.23%</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

Global Structured Finance Securities and CDOs (1997-2006)

<table>
<thead>
<tr>
<th>Rating from:</th>
<th>Aaa</th>
<th>Aa</th>
<th>A</th>
<th>Baa</th>
<th>Ba</th>
<th>B</th>
<th>Caa or below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaa</td>
<td>99.02%</td>
<td>0.60%</td>
<td>0.21%</td>
<td>0.07%</td>
<td>0.03%</td>
<td>0.02%</td>
<td>0.04%</td>
</tr>
<tr>
<td>Aa</td>
<td>5.56%</td>
<td>91.91%</td>
<td>1.52%</td>
<td>0.58%</td>
<td>0.17%</td>
<td>0.09%</td>
<td>0.17%</td>
</tr>
<tr>
<td>A</td>
<td>1.30%</td>
<td>3.46%</td>
<td>92.47%</td>
<td>1.74%</td>
<td>0.54%</td>
<td>0.23%</td>
<td>0.26%</td>
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<tr>
<td>Baa</td>
<td>0.36%</td>
<td>0.58%</td>
<td>2.99%</td>
<td>91.74%</td>
<td>2.31%</td>
<td>1.02%</td>
<td>0.99%</td>
</tr>
<tr>
<td>Ba</td>
<td>0.09%</td>
<td>0.10%</td>
<td>0.57%</td>
<td>3.09%</td>
<td>88.80%</td>
<td>3.18%</td>
<td>4.16%</td>
</tr>
<tr>
<td>B</td>
<td>0.06%</td>
<td>0.04%</td>
<td>0.11%</td>
<td>0.41%</td>
<td>2.30%</td>
<td>87.10%</td>
<td>9.97%</td>
</tr>
<tr>
<td>Caa or below</td>
<td>0.02%</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

(2) Potential investors are urged to conduct their own investigation regarding the underlying asset class, including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral. The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success. See "Important Notice."
(3) For the purposes of this study, "Structured Finance Securities" includes ABS, RMBS, CMBS and ABS CDO Securities of all ratings. Because the investment portfolio of Glacier Funding CDO V, Ltd. may have different collateral characteristics than those in the Moody's study (see "Asset Class Selection - Transaction Portfolio"), the historical rating stability of a portfolio of assets allocated similarly to the investment portfolio of Glacier Funding CDO V, Ltd may be less stable than the Structured Finance Securities that were the subject of the Moody's study.
(4) Synthetic Securities referencing ABS, RMBS, CMBS or ABS CDO Securities are subject to additional risks. A default with respect to a Synthetic Security may be triggered even in situations where the corresponding cash asset has not experienced a payment default in the case of counterparty default, "soft" credit events, and ratings downgrades. See "Risk Factors - Synthetic Securities."
Structured Finance Securities Market Overview

Rating Stability (cont’d) (1) (2) (3) (4) (5)

Rating stability in Structured Finance Securities and CDO Securities has been higher than in corporate bonds every year from 1983 to 2006, and was more than 14 percentage points higher than in corporate bonds in 2006.

(2) Potential investors are urged to conduct their own investigation regarding the underlying asset class, including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral.
(3) “Structured Stability” refers to the percentage of Structured Finance Securities and ABS CDO Securities that do not experience a ratings upgrade or downgrade. “Corporate Stability” refers to the percentage of corporate bonds that do not experience a ratings upgrade or downgrade.
(4) The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success.
(5) For the purposes of this study, “Structured Finance Securities” includes ABS, RMBS, CMBS and ABS CDO Securities of all ratings. Because the investment portfolio of Glacier Funding CDO V may have different collateral characteristics than those in the Moody’s study (see “Asset Class Selection-Transaction Portfolio”), the historical rating stability of a portfolio of assets allocated similarly to the investment portfolio of Glacier Funding CDO V may be less stable than the Structured Finance Securities that were the subject of the Moody’s study.
Structured Finance Securities Market Overview

Ratings Volatility - Upgrade Rates (1) (2) (3) (4) (5)


(2) Potential investors are urged to conduct their own investigation regarding the underlying asset class, including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral.

(3) "Structured Upgrade Rate" refers to the percentage of Structured Finance Securities and ABS CDO Securities that experience a ratings upgrade. "Corporate Upgrade Rate" refers to the percentage of corporate bonds that experience a ratings upgrade.

(4) The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success.

(5) For the purposes of this study, "Structured Finance Securities" includes ABS, RMBS, CMBS and ABS CDO Securities of all ratings. Because the investment portfolio of Glacier Funding CDO V, Ltd may have different collateral characteristics than those in the Moody's study (see "Asset Class Selection - Transaction Portfolio"), the historical rating stability of a portfolio of assets allocated similarly to the investment portfolio of Glacier Funding CDO V may be less stable than the Structured Finance Securities that were the subject of the Moody's study.
Structured Finance Securities Market Overview

Ratings Volatility - Downgrade Rates (1) (2) (3) (4) (5)

(2) Potential investors are urged to conduct their own investigation regarding the underlying asset class, including reviewing any sources cited herein and obtaining additional information regarding the underlying collateral.
(3) "Structured Downgrade Rate" refers to the percentage of Structured Finance Securities and ABS CDO Securities that experience a ratings downgrade. "Corporate Downgrade Rate" refers to the percentage of corporate bonds which experience a ratings downgrade.
(4) The data discussed in this Overview relates only to historical investment performance. Past performance is no guarantee of future performance or success.
(5) For the purposes of this study, "Structured Finance Securities" includes ABS, RMBS, CMBS and ABS CDO Securities of all ratings. Because the investment portfolio of Glacier Funding CDO V, Ltd may have different collateral characteristics than those in the Moody's study, (see "Asset Class Selection - Transaction Portfolio"), the historical rating stability of a portfolio of assets allocated similarly to the investment portfolio of Glacier Funding CDO V, Ltd may be less stable than the Structured Finance Securities that were the subject of the Moody's study.
B. Transaction Portfolio

This information is provided for illustrative purposes only. The transaction is in a structuring phase and may be subject to change.
Transaction Portfolio

Portfolio Composition for Illustrative Purposes only

Representative Portfolio (1)

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.

Up to [10]% of the portfolio may be composed of Synthetic Securities. Synthetic Securities may have reference obligations that are ABS (including CMBS and RMBS) and ABS CDO Securities in any of these asset classes but are expected primarily to reference ABS CDO Securities. Please see "Risk Factors - Synthetic Securities" for additional risks relating to Synthetic Securities.

NOTE: The Representative Portfolio is an indicative target portfolio assumed for modeling purposes. The actual portfolio of the Issuer is expected to vary from the Representative Portfolio. 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. The actual portfolio on the Ramp-up Completion Date [June 2007] may therefore be materially different from the one presented above and the portfolio may change over time.

(1) It is expected that the assets held by Glacier Funding CDO V that back the Offered Securities will consist of primarily [Baa2/Baa3] rated ABS, RMBS, CMBS and ABS CDO Securities. It is anticipated that up to [10]% of the assets held by Glacier Funding CDO V may consist of ABS CDO Securities, provided that the securities issued by any one CDO may not exceed [10]% of the portfolio (with limited exceptions). As a result, potential investors in the Offered Securities must understand that if they hold debt or equity issued by other CDOs, their credit exposure to such ABS CDO Securities will increase to the extent securities issued by those CDOs are also included in the assets of Glacier Funding CDO V.
3. Transaction Highlights
## Transaction Highlights

### Summary of Terms

<table>
<thead>
<tr>
<th>Type</th>
<th>Mezzanine ABS CDO Cash Flow Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>Terwin Money Management LLC</td>
</tr>
<tr>
<td>Issuer</td>
<td>Glacier Funding CDO V, Ltd.</td>
</tr>
<tr>
<td>Total Size</td>
<td>$500 MM</td>
</tr>
</tbody>
</table>

| Principal | 200,000,000.00 | 122,000,000.00 | 46,000,000.00 | 44,000,000.00 | 15,000,000.00 | 20,500,000.00 | 26,500,000.00 | 5,500,000.00 | 6,500,000.00 | 12,500,000.00 |
| Percentage | 40.1% | 24.5% | 9.2% | 8.8% | 3.0% | 4.1% | 5.3% | 1.1% | 1.3% | 2.5% |
| Coupon Type | 1mL+18 | 1mL+50 | 1mL+52 | 1mL+65 | 1mL+70 | 1mL+230 | 1mL+575 | 1mL+675 | 1mL+900 | Residual |
| Average Life | 5.2 years | 5.5 years | 5.5 years | 5.5 years | 5.5 years | 5.2 years | 5.2 years | 5.5 years | N/A |
| Legal Maturity | 2051 | 2051 | 2051 | 2051 | 2051 | 2051 | 2051 | 2051 | 2051 |
| Denomination | $250,000 min | $250,000 min | $250,000 min | $250,000 min | $250,000 min | $250,000 min | $250,000 min | $250,000 min | $250,000 min |

### Tax Treatment

There are important tax considerations associated with owning the Class F Notes, the Class G Notes and the Preference Shares, and investors should consult their personal tax advisors prior to making an investment. The Issuer is a “passive foreign investment corporation” and may be a “controlled foreign corporation”. U.S. investors in the Class F Notes and the Class G Notes may, and U.S. investors in the Preference Shares will, need to file certain tax disclosure forms in order to avoid the imposition of penalties associated with an undisclosed investment in a foreign entity. See Tax Considerations.

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(1) All information 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 the Offered Securities based upon market conditions and other factors applicable at that time. This material includes information that is computed based in part on hypothetical modeling assumptions. The modeling assumptions are mathematical simplifications designed to approximate the effects of the composition of the collateral and the interest rates at which the collateral accrues interest, and none of such assumptions are meant to be historical descriptions nor predictors of future performance. Please see “Transaction Highlights - Structuring Assumptions” for further information on the Modeling Assumptions.

(2) Payments on the Notes and Preference Shares will be made monthly. Please see “Tax Treatment” above.

(3) Please see “Transaction Highlights - Structuring Assumptions” for a description of modeling assumptions.

(4) Some limited exceptions may be permitted on the Closing Date to the minimum denomination requirements for the Preference Shares.

(5) A credit rating is not a recommendation to buy, hold or sell securities and is subject to revision at any time.

(6) Based on a successful auction call in year 5.

(7) Based on a waterfall structure in which the Class E, Class F and Class G Notes receive [15]% of excess cashflows that would have otherwise been paid to the Preference Shares on a pro rata basis.

(8) The Class A-1 Notes will not be fully funded at Closing - they will be Delayed Draw.
Transaction Highlights

Structuring Assumptions

Collateral Profile/Assumptions

<table>
<thead>
<tr>
<th>Principal Amount</th>
<th>5500MM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Collateral Rated Below Baa3</td>
<td>5.0%</td>
</tr>
<tr>
<td>Minimum Synthetics</td>
<td>60%</td>
</tr>
<tr>
<td>Maximum Synthetics</td>
<td>75%</td>
</tr>
<tr>
<td>Maximum CDO Securities</td>
<td>10%</td>
</tr>
<tr>
<td>Maximum Unrated Single Servicer Concentration</td>
<td>8%</td>
</tr>
<tr>
<td>Maximum S&amp;P Above Average Rated Single Servicer Concentration</td>
<td>15%</td>
</tr>
<tr>
<td>Maximum S&amp;P Strong Rated Single Servicer Concentration</td>
<td>25%</td>
</tr>
<tr>
<td>Maximum Single Issuer Concentration</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expected Weighted Average Discount Margin</th>
<th>2.40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Weighted Average Rating Factor</td>
<td>475 (Baa2/Baa3) (1)</td>
</tr>
<tr>
<td>Maximum Weighted Average Rating Factor</td>
<td>&lt;=21% (2)</td>
</tr>
<tr>
<td>Maximum Correlation Score</td>
<td>475 (Baa2/Baa3) (1)</td>
</tr>
<tr>
<td></td>
<td>&lt;=21% (2)</td>
</tr>
<tr>
<td>Maximum PIK Bucket</td>
<td>10%</td>
</tr>
<tr>
<td>Maximum Negative Amortization Securities</td>
<td>5%</td>
</tr>
<tr>
<td>Maximum Weighted Average Life</td>
<td>6.0 Years</td>
</tr>
<tr>
<td>Maximum Fixed Collateral</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coverage Tests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Sequential Pay Test</td>
</tr>
<tr>
<td>Class G Interest Diversion Test</td>
</tr>
</tbody>
</table>

(1) The expected Moody's Weighted Average Rating Factor and Moody's Asset Correlation Score are included as structuring assumptions. However, it is expected that the actual Moody's Weighted Average Rating Factor test and Moody's Asset Correlation test will be established at different combinations of values which may be satisfied together for both tests to be passed. The maximum Moody's Weighted Average Rating Factor on the WARF/Correlation Matrix is expected to be 550. The maximum Asset Correlation on the WARF/Correlation Matrix is expected to be 25%.

(2) Test Level represents the level that must be passed in order for the deal to pay principal on the Notes on a pro rata instead of sequential basis in the case of a breach of the "Class A Sequential Pay Test".

(3) The initial Class A Sequential test ratio has been computed using the modeling assumptions specified herein and the structure of the transaction, including portfolio assumptions, currently contemplated. Because this transaction is in a structuring phase, there may be material changes to the structure, terms and assets prior to the offering of any securities. This information is provided to you on the understanding that, as a sophisticated investor, you understand and accept the inherent limitations, will review each assumption carefully and make your own determination as to its accuracy or reasonableness, 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. An investor should rely only upon the final offering materials for the definitive conditions and terms of the offering.

(4) A limited number of exceptions will be allowed.

(5) Additional [5] % will be used for ratings migration.

(6) 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. Following the ramp-up period, the expected initial weighted average coupon will be approximately Swaps + [0.38]% , and the expected initial weighted average spread will be approximately [2.40]% for original and for reinvested collateral. The Minimum Weighted Average Coupon is Swaps + [0.38]% for original collateral and for reinvested collateral. The Minimum Weighted Average Spread is [2.31]% for original collateral and for reinvested collateral.
Transaction Highlights
Structuring Assumptions(1)

Benchmark Assumptions(2)
First Period Libor: [5.32]%

Reinvestment Period(4)
[4] years; up to [15]% per annum may be traded on a discretionary basis

Timing
Closing Date [March 2007]
Payment Dates [Monthly]

Mandatory Auction Call [6]% in years 6-7, [4]% in years 8-9, [0]% thereafter
Non-Call Period [4] Years

Ongoing Annual Fees and Expenses(3)

<table>
<thead>
<tr>
<th>Senior Management Fee</th>
<th>15.0 bps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinate Management Fee</td>
<td>5.0 bps</td>
</tr>
<tr>
<td>Trustee Fees</td>
<td>1.8 bps</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>3.5 bps</td>
</tr>
<tr>
<td>Administrative Fee Cap(5)</td>
<td>$240,000 yr</td>
</tr>
</tbody>
</table>

Closing Fees and Expenses
Approximately 1.60% of the gross proceeds of the offering.

Includes, but is not limited to, expenses, fees and commissions incurred in connection with structuring and placing the Offered Securities (including the fees paid to Merrill Lynch as placement agent/distributor), upfront fees to the Collateral Manager, expenses, fees and commissions incurred in connection with the acquisition of the initial underlying collateral and legal, accounting and rating agency fees and expenses. These fees and expenses will be paid on the Closing date out of the gross proceeds of the offering, thus reducing the amount of the gross proceeds of the offering available to purchase collateral and therefore the amounts ultimately available to make payments on the Offered Securities.

(1) Please review carefully the information pertaining to structuring assumptions set forth in the shaded box on p. 20.
(2) As of [3/25/07]
(3) Calculated on the average outstanding collateral balance as of the first day of each payment period, except in the case of the Administrative Fee Cap.
(4) Reinvestment is at the option of the manager during the [4] year reinvestment period.
(5) Administrative Expenses in excess of the Administrative Fee Cap will be paid before any payments to the Preference Shareholders.
## Transaction Highlights

### Key Dates

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of Warehouse Ramp Up</td>
<td>February 2006</td>
</tr>
<tr>
<td>Pricing</td>
<td>February 2007</td>
</tr>
<tr>
<td>Closing/Settlement Date</td>
<td>March 2007</td>
</tr>
<tr>
<td>Ramp Up Completion Date</td>
<td>June 2007</td>
</tr>
<tr>
<td>End of Reinvestment Period</td>
<td>May 2011</td>
</tr>
<tr>
<td>End of Non-Call Period</td>
<td>May 2011</td>
</tr>
<tr>
<td>First Auction Call Date</td>
<td>May 2013</td>
</tr>
<tr>
<td>First Payment Date</td>
<td>August 2007</td>
</tr>
<tr>
<td>Stated Maturity</td>
<td>[2051]</td>
</tr>
</tbody>
</table>

(1) This information is provided for illustrative purposes. The actual dates may differ due to changes in market conditions or other similar circumstances.
Transaction Highlights
Structuring Assumptions (1)(2)(5)

Structuring Assumptions

- **Distribution Dates** - Distribution Dates occur monthly.
- **Ramp-Up** - It is assumed that at least [90]% of the portfolio will have been purchased or identified by closing and that the deal will be fully ramped within [4] months of closing.
- **Mandatory Auction Call** - [6] years.
- **Minimum Preference Share IRR for Successful Auction Call** - [6]% in years 6-7, [4]% in years 8-9, and [0]% thereafter.
- **Default and Recoveries** - Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each monthly Distribution Date. Defaulted assets are assumed to be sold immediately after default at a price equal to the applicable recovery rate.
- **Interest Rates** - Floating rate collateral accrues interest at the 1M LIBOR curve plus its applicable spreads. The Notes accrue interest at the 1M LIBOR curve plus applicable spreads. The 1M LIBOR curve is the forward curve as of [3/25/2007].
- **Intraperiod Reinvestment** - Principal and interest proceeds are assumed to be reinvested and accrue interest at the 1M LIBOR curve minus [0.25]%.
- **Reinvestment Period** - [4] years (at the option of the Collateral Manager); up to [15]% per annum may be traded on a discretionary basis and limited reinvestment of proceeds from the sale of Credit Risk and Credit Improved Securities will be allowed for an extended period.
- **Reset Frequency** - CDO assets and liabilities are assumed to reset based on the same monthly LIBOR rates.
- **First Period Interest Calculation** - First period interest is assumed to be [92.0]% of a full period’s assumed interest.
- **Yield Calculations** - Preference Shares yields are calculated using annual compounding.

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(1) Please review carefully the information pertaining to structuring assumptions set forth on p. 19-21. This transaction is still in a structuring phase and there may be material changes to the structure, terms and assets prior to the offering of any securities.
(2) Please see “Important Notice – Forward Looking Statements” for important information on hypothetical illustrations, forecasts, and estimates.
(3) Forward LIBOR curve refers to the curve containing the expected rates that investors in the market are willing to pay to borrow money for fixed periods (e.g., 1 month) at some given point in the future.
(4) Please see “Risk Factors – Reinvestment Risk” for important information on reinvestment.
(5) Notwithstanding the assumptions set forth herein, mismatches between the timing of accrual and receipt of interest and principal collections on the Collateral Debt Securities (particularly during the initial investment periods) could produce significantly different results from those set forth herein.
**Transaction Highlights (1)**

### Interest Proceeds Payment Waterfall

- Taxes Paid by the Co-Investors
- Senior Expenses
- Senior Management Fee
- Senior Hedge Counterparty Payments
- Class A-1 Note Interest, Class A-1 Commitment Fees
- Class A-2 Note Interest
- Class A-3 Note Interest
- Class B Note Interest
- Class C Note Interest
- Class D Note Interest
- Class E Note Interest
- Class F Note Interest
- Class G Note Interest
- Class D, Class E, Class F and Class G Deferred Interest
- Subordinated Expenses
- Subordinated Management Fee
- Prior Warrants Share Payments

### Principal Proceeds Payment Waterfall

- Payment to Cover Certain Interest Proceeds Shortfall
- If during the Reinvestment Period, interest on the principal is not fully paid, shall not be available for the principal proceeding to the next prospective period.
- If during a Pro Rata Pay Period, payment of the principal on the Class D Notes is not fully paid.
- If during a Pro Rata Pay Period, payment of the Principal on the Class D Notes is not fully paid.
- If during a Pro Rata Pay Period, payment of principal on the Class D Notes is not fully paid.
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- If during a Pro Rata Pay Period, payment of principal on the Class D Notes is not fully paid.
- If during a Pro Rata Pay Period, payment of principal on the Class D Notes is not fully paid.

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**Notes:**

1. All information on this slide is for illustrative purposes only. This transaction is at a structuring phase and the actual structure of the transaction may differ from the one presented herein.
2. The “Class A/B/C Pro Rata Principal Payment Cap” is the amount of Principal Proceeds available for distribution multiplied by the sum of the outstanding balances of the Class A-1, Class A-2, Class A-3, Class B, Class C, Class D, Class E, Class F, and Class G Notes.
3. The “Class D Pro Rata Principal Payment Cap” is the amount of Principal Proceeds available for distribution multiplied by the sum of the outstanding balances of the Class D Notes divided by the sum of the outstanding balances of the Class D and Class E Notes.
4. The “Class E Pro Rata Principal Payment Cap” is the amount of Principal Proceeds available for distribution multiplied by the sum of the outstanding balances of the Class E Notes divided by the sum of the outstanding balances of the Class E and Class F Notes.
5. The “Class F Pro Rata Principal Payment Cap” is the amount of Principal Proceeds available for distribution multiplied by the sum of the outstanding balances of the Class F Notes divided by the sum of the outstanding balances of the Class F and Class G Notes.
6. The “Class G Pro Rata Principal Payment Cap” is the amount of Principal Proceeds available for distribution multiplied by the sum of the outstanding balances of the Class G Notes divided by the sum of the outstanding balances of the Class G and Class E Notes.
7. The “Sequential Pay Period” means the period commencing on the earliest to occur of: (a) the first date on which the aggregate principal balance of all pledged collateral debt securities held by the Issuer is less than 50% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, (b) the first measurement date on which the Covenants Test is not satisfied, (c) the first date on which the rating of any Outstanding Class of Notes by Standard & Poor’s has been reduced or withdrawn, or (d) the first date on which any Event of Default has occurred and is continuing.
8. Administrative expenses capped at $300,000 per year. Administrative expenses in excess of the cap will be paid before any payments to the Preference Shareholders.

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### Transaction Highlights
**Form of Offering**

| Form of Securities        | Rated Notes (other than Class E, Class F and Class G Notes): DTC/Euroclear  
|                          | Class E, Class F, and Class G Notes and Preference Shares: Physical/Euroclear  
| U.S. Investors            | Rated Notes: Qualified Purchasers/QIBs  
|                          | Preference Shares: Qualified Purchasers or Knowledgeable Employees/Accredited Investors or QIBs  
| SEC Registration Exemption| 4(2)/Rule 144A/Regulation S  
| Investment Company Act Exemption | 3(c)(7)  
| Domicile/Form of Issuer   | Cayman Islands Exempted Company  
| Domicile/Form of Co-Issuer(1) | Delaware Limited Liability Company  
| Listing(2)                | [Irish Stock Exchange] (Notes Only)  
|                          | [Channel Islands Stock Exchange] (Preference Shares Only)  

---

(1) The Preference shares will not be co-issued.

(2) There can be no assurance that the listing of the Notes on the [Irish Stock Exchange] or the listing of the Preference Shares on the [Channel Islands Stock Exchange] will be granted.
4. Sensitivity Analysis
Sensitivity Analysis

### Break Even Default Rates (1)(2)(3)(4)(5)

<table>
<thead>
<tr>
<th>Class Description (Moody's/S&amp;P/Fitch)</th>
<th>Based on a Break in Yield</th>
<th>Based on 0% Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Default Rate</td>
<td>Cumulative Gross Defaults</td>
</tr>
<tr>
<td>Class A-1 First Priority Delayed Draw Floating Rate Notes (Aaa/AAA/AAA)</td>
<td>99.9%</td>
<td>99.9%</td>
</tr>
<tr>
<td>Class A-2 Second Priority Floating Rate Notes (Aaa/AAA/AAA)</td>
<td>19.3%</td>
<td>64.2%</td>
</tr>
<tr>
<td>Class A-3 Third Priority Floating Rate Notes (Aaa/AAA/AAA)</td>
<td>12.4%</td>
<td>48.5%</td>
</tr>
<tr>
<td>Class B Fourth Priority Floating Rate Notes (Aa2/AA/AA)</td>
<td>7.6%</td>
<td>33.7%</td>
</tr>
<tr>
<td>Class C Fifth Priority Floating Rate Notes (Aa3/AA-/AA-)</td>
<td>6.3%</td>
<td>28.8%</td>
</tr>
<tr>
<td>Class D Sixth Priority Floating Rate Notes (A2/A/A)</td>
<td>4.2%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Class E Seventh Priority Floating Rate Notes (Baa2/BBB/BBB)</td>
<td>1.8%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Class F Eighth Priority Floating Rate Notes (Baa3/BBB-/BBB-)</td>
<td>1.4%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Class G Ninth Priority Floating Rate Notes (Ba1/BB+/BB+)</td>
<td>1.4%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

1) All the information shown on this page is for illustrative purposes only. Please review carefully the information pertaining to structuring assumptions set forth on p. 19-21. The transaction is at a structuring phase; and the actual structure of the transaction and characteristics of the offered securities may differ from those presented herein.

2) "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 cash flow received does not equal initial investment. Please see Appendix A for a description of Collateral Cashflow Formulas.

3) Assuming annual constant defaults beginning immediately, [52]% recovery rate and forward LIBOR. Please see "Transaction Details – Structuring Assumptions" for a description of modeling assumptions. Assumes a weighted average spread of [2.40]% and weighted average coupon of Swaps + [0.38]%.

4)Defaults are stated as constant immediate annual rates and are applied on the outstanding collateral balance at the beginning of each monthly Distribution Date. defaulted assets are assumed to be sold immediately at a price equal to the applicable recovery rate.

5)Future market and economic conditions are impossible to predict. Future market or historical economic conditions that materially differ from those on which the assumptions are based may have a negative impact on the performance of Glacier Funding CDO V. For these reasons, there are limitations on the value of this or any hypothetical illustration. This information is not intended to be either an express or implied guaranty of investment performance. See "Important Notice" at the beginning of the Material.

6) The Class A-I Notes will not be fully funded at Closing—they will be Delayed Draw.
Sensitivity Analysis

Preference Share IRR$^{(1)}$ - Base Case Amortization$^{(2)}$

This information is not intended to be either an expressed or an implied guaranty of investment performance.

This hypothetical illustration is based in part on modeling assumptions which are mathematical simplifications designed to approximate the effects of the composition of the collateral and the interest rates at which the collateral accrues interest. None of such assumptions is meant to be a historical description or a predictor of future performance, and the hypothetical illustration does 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 Preference Shares, including call features and cash flow diversion events). Simplifying assumptions have certain inherent limitations, and alternative modeling techniques may produce significantly different results. The models will produce different illustrative returns if the modeling assumptions were changed based on any changes in the structure or assets for this transaction after the date hereof. Because this transaction is in a structuring phase, there may be material changes to the structure, terms and assets prior to the offering, of any securities, and the actual performance of any securities issued will differ, and may differ substantially, from that set forth in the attached illustrations. The information in the graph above should not be considered a prediction of the performance of the Issuer or the Preference Shares. This information is provided to you on the understanding that as a sophisticated investor, you will understand and accept its inherent limitations, will review each assumption carefully and make your own determination as to its accuracy or reasonableness, 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. Any investor should rely only upon the final offering materials for the definitive conditions and terms of the offering.

Future market and economic conditions are impossible to predict. Future market or historical economic conditions that materially differ from those on which the assumptions are based may have a negative impact on the performance of the Issuer. For these reasons, there are limitations on the value of this or any hypothetical illustration. This information is not intended to be either an express or implied guaranty of investment performance. See “Important Notice” at the beginning of the Material.

(1) Please see prior pages for description of structuring assumptions. Scenarios assume that annual defaults begin immediately at the stated default rate. Recovery assumptions: 52%. Assumes an initial weighted average spread of 2.40% and an initial weighted average coupon of 4.38%. Defaults are applied on the outstanding collateral balance at the beginning of each Distribution Date. Defaults are assumed to be sold immediately after default at a price equal to the applicable recovery rate.

(2) Amortization schedules supplied by Terwin.

(3) The determination of the base case prepayment speeds for the portfolio is based on the following factors. Such determination takes into account various aspects of the pool of loans backing each bond, such as weighted average coupon and term type, as well as the structure of the bond itself. Additionally, other factors, such as historical prepayment rates, are considered as well.
Sensitivity Analysis
Leverage

Definition and Glacier Funding CDO V Equity Leverage

- "Leverage" is a calculation that is presented to express the potential volatility of an instrument such as the equity tranche of a CDO or any similar fund that uses debt to finance equity in a similar proportion.

- "Leverage" intends to represent the impact a small change in value (or cash flows) of a portfolio has on the equity tranche of that CDO. By example, if an investment is 10x levered, for every 1 cent change in value on the portfolio, the instrument value will move by 10 cents.

- The Preference Shares of Glacier Funding CDO V are expected to be levered approximately 28x(1); so for every 10 bps tightening in the mark-to-market of the overall portfolio, the value of the equity may increase by approximately 2.80%, and vice-versa for a widening.

Please note that a "leverage" projection is not intended to represent actual price changes of Glacier Funding CDO V Preference Shares, but is merely intended to provide investors with a theoretical benchmark as to volatility - the leverage calculator above does not assume any other changes occur in the portfolio or in the capital markets which affect the value of the Preference Shares and the portfolio positively or negatively, nor any change in the liability pricing of the structure. Unfortunately, leverage is not the only component used to compute the "value" of a tranche in a transaction, but merely can be used as one of many guides to value a tranche. Pricing will be impacted by many factors, including the value of the Structured Finance Assets, supply and demand for any given tranche and possible impacts equity, credit or correlation markets may have.

(1) This information is provided for illustrative purposes only. The transaction is in a structuring phase and leverage used may be different from that presented here.
5. Risk Factors
An investment in the Offered Securities described in this Material, if such offering is consummated, will involve certain risks. Set forth below is a summary description of certain of the risks to which an investor in the Offered Securities would be subject. A detailed list of risk factors will be included in the Offering Circular (including the preliminary and final versions thereof). You must not make any decision to invest in the Offered Securities until after you have read and reviewed carefully the Offering Circular.

**Limited Liquidity.** There is currently no market for the Offered Securities. Although Merrill Lynch may from time to time make a market in any class of Offered Securities, it is under no obligation to do so. In the event that Merrill Lynch commences any market-making, it may discontinue the same at any time. There can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. In addition, the Offered Securities are subject to transfer restrictions and can only be transferred to certain transferees. Consequently, an investor in the Offered Securities must be prepared to hold its Offered Securities for an indefinite period of time.

**Significant Fees Reduce Proceeds Available for Purchase of Collateral Securities.** On the Closing Date, the Issuer will use a portion of the gross proceeds from the offering to pay various fees and expenses, including expenses, fees and commissions incurred in connection with the acquisition of the Collateral, upfront fees payable to the Collateral Manager, structuring and placement agency fees payable to Merrill Lynch and legal, accounting, rating agency and other fees. Closing fees and expenses reduce the amount of the proceeds of the offering available to purchase Collateral and, therefore, the return to purchasers of the Offered Securities. Rating agencies will consider the amount of net proceeds available to purchase Collateral in determining any ratings on the Collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the assets will only be available to make payments in respect of the Preference Shares as and when such proceeds are released from the lien of the indenture in accordance with the priority of payments. The Issuer will have no material assets.

**Investment in Preference Shares.** Defaults affect the potential equity cash flow. Preference Shares are a purchase of a stream of cashflows that include amortization of principal prior to the stated maturity of the Notes. Preference Share returns are projected in terms of the IRR of this stream of cashflows. Preference Shares are a first loss, leveraged credit position. An investor is exposed to a portfolio of diversified credits, but only a portion of those credits need to default for an investor in Preference Shares to lose 100% of its original investment. An investor’s loss is limited to its original investment. CDO Debt tranche investors effectively loan money to Preference Share investors. Preference shares are leveraged. This may cut off of equity cashflow to Preference Share investors and cause potential phantom income tax. The Class F Notes and the Class G Notes also may have potential phantom income tax issues if such Notes are treated as equity of the Issuer for U.S. Federal income tax purposes.

**Volatility of the Preference Shares.** The Preference Shares represent a leveraged investment in the underlying collateral. Therefore, it is expected that changes in the value of the Preference Shares will be greater than the change in the value of the underlying collateral, which will be subject to credit, liquidity, interest rate and other risks. Utilization of leverage is a speculative investment technique and involves certain risks to investors and generally magnifies the Issuer’s opportunities for gain and risk of loss. Because of the leverage, spread movement in the underlying collateral portfolio will have an exaggerated mark-to-market effect on investor positions. The indebtedness of the Issuer under the Notes will result in interest expense and other costs incurred in connection with such indebtedness that may not be covered by proceeds received from the collateral. As a result, an investor could lose all or a substantial part of an investment in the Preference Shares.

In addition to the risk factors presented above, you must review carefully the complete presentation of risk factors in the final Offering Circular to be provided.
Risk Factors

Nature of Collateral. The Collateral will be subject to credit, liquidity, interest rate, market, fraud, operations and structural risk. The amount and nature of the Collateral securing the Notes will be established with a view to withstanding certain assumed deficiencies in payment occasioned by defaults in respect of the securities included in the Collateral. If any deficiencies exceed such assumed levels, however, payments on the Notes and distributions on the Preference Shares could be adversely affected. To the extent that a default occurs with respect to any security included in the Collateral, it is not likely that the Issuer will receive the full amount of principal and interest owing to the Issuer in respect of such security. The market value of the Collateral generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the securities included in the Collateral, the remaining term thereof to maturity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

The ability of the Issuer to sell Collateral is subject to certain restrictions. Because of such restrictions, the Issuer may not be permitted to sell Collateral even when the Collateral Manager believes that doing so would be prudent or advisable. In addition, the Collateral Manager at times may be unable to identify suitable investments or the Issuer may be unable to purchase suitable investments in periods of market volatility or disruption or for any number of other reasons. In addition, the failure to realize the par value of any Collateral may materially and adversely affect the return on and the performance of the Offered Securities.

Collateral Ramp Up Risk. It is currently anticipated that [90]% of the Collateral will have been purchased by the closing date. The Issuer expects that it will have purchased 100% of the Collateral by [90] days after the closing. However, there can be no assurance that this will occur.

Collateral Credit Risk. The Notes of any Class are subject to a degree of risk arising from fluctuations in the amount and timing of receipt of payments on the Collateral by or on behalf of the issuer of Collateral and the amounts of the claims of creditors of such issuer ranking in priority to the holders of each Class of the Notes. In particular, prospective purchasers of the Notes should be aware that the amount and timing of payment of amounts on the Collateral relating to such Notes will depend upon the detailed terms of the documentation relating to each of such items of Collateral and on whether or not any obligor thereunder (or under any reference obligation or to any reference entity to which any CDO is linked) defaults in its obligations.

Collateral Consisting of CDO Securities. The assets held by the Issuer which back the Offered Securities will consist primarily of [Baa2/Baa3] (i) Asset Backed Securities including RMBS and CMBS and (ii) ABS CDO Securities, or Synthetic Securities related to any of the foregoing. It is anticipated that up to [10]% of the assets held by the Issuer may consist of such ABS CDO Securities or Synthetic Securities related thereto; provided that (with limited exceptions) the securities issued by any one CDO may not exceed [1.0]% of the portfolio. As a result, purchasers of the Offered Securities must understand that if they hold debt or equity issued by other CDOs, their credit exposure to such CDO Securities will increase to the extent securities issued by those CDOs are also included in the assets of the portfolio.

In addition to the risk factors presented above, you must review carefully the complete presentation of risk factors in the final Offering Circular to be provided.

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Risk Factors

Defaul t and Concentration Risk. The level of Collateral securing the Notes is intended to withstand certain assumed deficiencies in payment caused by defaults on the Collateral. If actual payment deficiencies exceed such assumed levels, however, payments on the Notes could be adversely affected. Whether defaults on the Collateral adversely affect each Class of Notes will be directly related to the level of subordination thereof pursuant to the relevant Priorities of Payment. The risk that payments on the Notes could be adversely affected by defaults on the related Collateral is likely to be increased to the extent that the relevant portfolio of Collateral is concentrated in any one obligor, industry, region or country (or is linked to reference obligations or entities so concentrated) as a result of the increased potential for correlated defaults in respect of a single obligor or within a single industry, region or country as a result of downturns relating generally to such industry, region or country.

Disposal Risk. To the extent that a default occurs with respect to any item of Collateral or there is an enforcement of the security over such Collateral and the Collateral Manager or the Trustee sells, unwinds or otherwise disposes of such item of Collateral on behalf of the Issuer proceeds of such sale, unwinding or disposition are likely to be less than the unpaid amounts thereon. Accordingly, no assurance can be given as to the amount of proceeds of any sale, unwinding or disposition of Collateral at any time, or that the proceeds of any such sale, unwinding or disposition would be sufficient to repay principal of and interest on the relevant Notes after, in each case, paying all amounts payable prior thereto pursuant to the relevant Priorities of Payment.

Average Life of the Notes. The average life of each Class of Notes and the duration of the Preference Shares are expected to be shorter than the number of years until the stated maturity. Such average lives will be affected by numerous factors described in the Offering Circular including prepayments, optional redemptions, default rates and recovery rates relating to the collateral.

Auction Call Redemption. If the Notes have not been redeemed in full prior to the Payment Date occurring in [May 2013], then an auction of the Collateral Debt Securities will be conducted and, provided that certain conditions are satisfied, in particular with respect to the sufficiency of anticipated proceeds from the proposed sale of the Collateral Debt Securities, the Collateral Debt Securities will be sold and the Notes will be redeemed on such Payment Date. If such conditions are not satisfied and the auction is not successfully conducted on such Payment Date, the Trustee will conduct auctions on each Payment Date thereafter, however the Notes will not be redeemed until the conditions are satisfied.

Early Redemption of the Notes. The Notes may be subject to early redemption [4] years after the closing date at the election of a majority in interest of the holders of the Preference Shares. In addition, it is anticipated that if the Notes have not been paid in full prior to [May 2013] an auction of the collateral will be conducted and subject to satisfaction of certain conditions, will be sold and used to redeem the Notes. The Notes may also be subject to early redemption on the occurrence of certain adverse tax events to be described in the Offering Circular.

Certain Conflicts of Interest. The activities of the Collateral Manager, Merrill Lynch and their respective affiliates may result in certain conflicts of interest.

Conflicts of Interest Involving the Collateral Manager. Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its affiliates for their own accounts or for the accounts of others. The following briefly summarizes some of those conflicts, but is not intended to be an exhaustive list of all such conflicts. The Collateral Manager and its affiliates may invest for their own accounts or for the accounts of others in debt obligations that would be appropriate investments for the Issuer and they have no duty, in making such investments, to act in a way that is favorable to the Issuer or the holders of the Offered Securities. Such investments may be different from those made on behalf of the Issuer. The Collateral Manager and its affiliates have no affirmative obligation to offer to the Issuer or inform the Issuer of any investment opportunity before offering such investment to other accounts that the Collateral Manager or its affiliates may advise or before acting for their own account. The Collateral Manager and its affiliates may have economic interests in or other relationships with issuers in whose obligations or securities the Issuer may invest. In particular, such persons may make and/or hold an investment in any securities that may be pari passu, senior or junior in ranking to an investment in securities of the same issuer that are held by the Issuer or in which partners, security holders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer. In such instances, the Collateral Manager and its affiliates may in their discretion, subject to certain restrictions, make investment recommendations and decisions that may be the same as or different from those made with respect to the Issuer's investments.

Although the officers and employees of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate, the principals and employees may have conflicts in allocating their time and services among the Issuer and other accounts advised by the Collateral Manager and/or its affiliates. In addition, the Collateral Manager and its affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict the Collateral Manager from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself, which may prevent the Collateral Manager from taking actions which it may consider in the best interests of the Issuer and the security-holders.

The Collateral Manager and any of its affiliates may engage in any other business and furnish investment management and advisory services to others, which may include, without limitation, serving as investment adviser for, investing in, lending to, or being affiliated with, other entities organized to issue collateralized debt obligations secured by securities such as those included in the collateral and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable for inclusion in the collateral. The Collateral Manager will be free, in its sole discretion, to make recommendations to others, or effect transactions on behalf of itself or for others, that may be the same as or different from those effected on behalf of the Issuer, and the Collateral Manager may furnish investment management and advisory services to others who may have investment policies similar to those followed by the Collateral Manager with respect to the Issuer and who may own securities of the same class, or which are the same type as, the securities included in the Collateral. Such situations may result in reduced availability of investment opportunity and resources for the Issuer.

In addition to the risk factors presented above, you must review carefully the complete presentation of risk factors in the final Offering Circular to be provided.

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Although the Collateral Manager or one of its affiliates may at times be a holder of the Offered Securities, its interests and incentives will not necessarily be completely aligned with those of the other holders of the Offered Securities (or of the holders of any particular Class of the Notes or of the Preference Shares). The Collateral Manager is not expected to purchase Preference Shares.

In general, the Issuer, acting through the Collateral Manager, may engage in securities transactions with any affiliate of the Collateral Manager other than The Winter Group, Inc. or any of its direct or indirect subsidiaries (the "Permitted Affiliates" and any affiliate of the Collateral Manager that is not a Permitted Affiliate of the Collateral Manager "Non Permitted Affiliates"). Subject to the eligibility criteria set forth in the Offering Circular and the indenture, the Collateral Manager will be permitted to acquire a security or obligation on behalf of the Issuer to be included in the collateral from any of its Permitted Affiliates as principal or agent or from funds or accounts for which any of its Permitted Affiliates acts as Collateral Manager or to sell an obligation to any of its Permitted Affiliates as principal or agent or to funds or accounts for which any of its Permitted Affiliates acts as Collateral Manager. In addition, it is possible that, subject to the eligibility criteria, the Collateral Manager may acquire an obligation on behalf of the Issuer to be included in the collateral from itself or from any of its Non Permitted Affiliates as principal or agent, or from funds or accounts for which the Collateral Manager or any of its Non Permitted Affiliates acts as a Collateral Manager, or sell an obligation on behalf of the Issuer to itself or to any of its Non Permitted Affiliates, or to funds or accounts for which the Investment Adviser or any of its Non Permitted Affiliates acts as a Collateral Manager; provided that any such acquisition or disposition must be approved by the board of directors of the Issuer. In such situations, the Collateral Manager and its Permitted Affiliates or Non Permitted Affiliates may have a potentially conflicting division of loyalties and responsibilities regarding both parties in the transaction. If a Permitted Affiliate or Non-Permitted Affiliate of the Collateral Manager acts as broker in an agency cross transaction, such person may receive commissions from one or both of the parties in the transaction. While the Collateral Manager anticipates that any such commissions charged will be at competitive market rates, the Collateral Manager may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commissions.

Conflicts of Interest Involving Merrill Lynch. Certain of the Collateral Debt Securities acquired or to be acquired by the Issuer will consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which Merrill Lynch or an affiliate thereof has acted as underwriter, agent, placement agent or dealer or for which Merrill Lynch or an affiliate thereof has acted as lender or provided other commercial or investment banking services. Merrill Lynch or an affiliate thereof may structure issuers of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. Merrill Lynch or an affiliate thereof may also act as counterparty with respect to one or more Synthetic Securities. In its role as counterparty with respect to Synthetic Securities, Merrill Lynch or one of more of its affiliates may manage a pool of reference obligations with respect to the Synthetic Securities and make determinations regarding those reference obligations. In addition, an affiliate of Merrill Lynch may act as Hedge Counterparty under one or more Hedge Agreements with the Issuer. Moreover, Merrill Lynch or its affiliates may from time to time enter into derivative transactions with third parties with respect to the Offered Securities or with respect to Collateral Debt Securities acquired by the Issuer, and Merrill Lynch or its affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. Merrill Lynch, its employees, affiliates and employees of affiliates will receive compensation in connection with the structuring of the transaction and/or distribution of the Offered Securities. These activities may create certain conflicts of interest, and there can be no assurance that the terms on which the Issuer entered into (or enters into) any of the foregoing transactions with Merrill Lynch (or an affiliate thereof) were or are the most favorable terms available in the market at the time from other potential counterparties. Merrill Lynch or its affiliates may acquire and hold certain Offered Securities, and may exercise any rights it (or any of its affiliates) has with respect to such Offered Securities without regard to investors or other holders of Offered Securities.

Conflicts relating to Purchase of Collateral Debt Securities. It is anticipated that many of the securities that will be purchased by the Issuer on the date on which the Offered Securities are issued will be purchased from a portfolio of securities held by an affiliate of Merrill Lynch pursuant to a warehousing agreement between such affiliate of Merrill Lynch and the Collateral Manager. The Issuer will purchase securities included in such warehouse portfolio only to the extent that such purchases are consistent with the investment guidelines of the Issuer, the restrictions contained in the indenture and the collateral management agreement and applicable law. The purchase price payable by the Issuer for such securities will be based on the purchase price paid when such securities were acquired under the warehousing agreement, accrued and unpaid interest on such securities as of the date they are acquired by the Issuer and gains or losses incurred in connection with hedging arrangements entered into with respect to such securities. Accordingly, it is likely that the Issuer will bear the risk of market changes subsequent to the acquisition of such securities and related hedging arrangements pursuant to the warehousing agreement as if it had acquired such securities directly.
Risk Factors

ERISA Considerations. Ownership and holding of the Class G Notes and Preference Shares, respectively, will be restricted so that no assets of the Issuer should be treated as "plan assets" within the meaning of Section 3(42) of ERISA of any employee benefit plan that is subject to the provisions of Title I of ERISA or to the prohibited transaction provisions of Section 4975 of the Code. Although it is intended, on the basis of representations, warranties and/or covenants deemed to have been made or set forth in a written investor letter that the ownership and holding of the Class G Notes and the Preference Shares be so restricted, there can be no assurance that beneficial ownership and holding by employee benefit plans subject to the provisions of Title I of ERISA or to the prohibited transaction provisions of Section 4975 of the Code of each such class of Notes or Preference Shares, respectively, will always remain below the 25% threshold as provided under Section 3(42) of ERISA, as amended.

If the assets of the Issuer were treated as "plan assets" of such an employee benefit plan, the Issuer would be subject to certain fiduciary obligations under ERISA, and certain transactions that the Issuer or the Collateral Manager, on behalf of the Issuer, might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded.

In addition, each purchaser and subsequent transferee of a Note, or of any interest therein, will be deemed (or, in the case of a purchaser or transferee of a Certificated Note or Certificated Preference Share, required in writing) to have represented, warranted and covenanted that its purchase, holding and disposition of such Note or any interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a violation of any applicable Similar Laws.

Application of Principal Proceeds. Subject to the reinvestment criteria and the priority of payments described in the Offering Circular, principal proceeds and sale proceeds from the assets are expected to be reinvested into additional assets by the Collateral Manager during the reinvestment period and afterwards will be used to pay principal on the Notes. The timing of receipt of principal on the Collateral Debt Securities and with respect to substitute Collateral Debt Securities may be influenced by the level of interest rates and economic conditions. The Co-Issuers cannot predict the actual rate of principal payments that will be experienced on the Collateral Debt Securities.

Relation to Prior Investment Results. Any prior investment results of any person or entity described herein will not be indicative of the Issuer's future investment results. Such results are intended only to give you information concerning the general experience of the relevant person or entity as an asset manager or adviser and are not intended as a representation or warranty by Merrill Lynch, Terwin or any other person or entity as to the actual composition of or performance of any future investments that would be made by the Issuer. The nature of, and risks associated with, the Issuer's future investments may differ substantially from (and will be subject to constraints that were not applicable to) those investments and strategies undertaken historically by such persons and entities. There can be no assurance that the Issuer's investments will perform as well as, or in a manner similar to, the past investments of any such persons or entities.

Hypothetical Illustrations, Forecasts and Estimates. Any hypothetical illustrations, forecasts and estimates contained herein are forward looking statements and are based upon assumptions that are disclosed herein. Hypothetical illustrations are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the hypothetical illustrations will not materialize or will vary significantly from actual results. Accordingly, the hypothetical illustrations are only an estimate. Actual results may vary from the hypothetical illustrations, and the variations may be material.

Certain hypothetical performance analyses are based on assumptions that may prove to be incorrect. You should understand these assumptions and evaluate whether they are appropriate for their purposes. 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 Offered Securities and will not provide a complete assessment of the results that may follow from all possible contingencies (including but not limited to default, interest rate and other scenarios and certain economic features of the Offered Securities, including call features and cash flow diversion events). You should consider whether the behavior of these securities should be tested based on assumptions different from those used to prepare these analyses.

Collateral Manager Risk. The Issuer is dependent on the expertise of certain personnel of the Collateral Manager. In the event one or more of such personnel were to leave their employment, such departure may adversely affect management of the collateral. In addition, under certain conditions, Terwin Money Management LLC may resign or be removed as the Collateral Manager. If at any time the Collateral Manager resigns or is otherwise terminated, such resignation or termination, and the appointment of a successor investment adviser, may under certain circumstances become effective without the approval of the Noteholders or the Rating Agencies. Investors in the Notes are therefore at risk that an Collateral Manager other than Terwin Money Management LLC could be appointed as the Collateral Manager without an affirmative vote. In addition, any removal or replacement of the Collateral Manager could cause disruption in the investment strategy of the Issuer.

In addition to the risk factors presented above, you must review carefully the complete presentation of risk factors in the final Offering Circular to be provided.
Risk Factors

Mandatory Repayment of the Notes. If the Issuer is unable to obtain confirmation of the ratings of the Notes from each of the rating agencies rating the Notes by the 30th day following the ramp-up completion date, first uninvested proceeds, then, to the extent that the application of uninvested proceeds is insufficient, interest proceeds, then, to the extent that the application of uninvested proceeds and interest proceeds is insufficient, principal proceeds will be applied on the first distribution date following such 30th day to redeem first, the Class A-1 Notes, then the Class A-2 Notes, then the Class A-3 Notes, then the Class B Notes, then, the Class C Notes, then, the Class D Notes, then, the Class E Notes, then, the Class F Notes, and then, the Class G Notes, in each case to the extent necessary to obtain such rating confirmation from each of the rating agencies. Either of the foregoing could result in an elimination, deferral or reduction in the payments in respect of interest or commitment fee or the principal repayments made to the holders of one or more Classes of Notes, and the Preference Shares, that are subordinate to any other outstanding Class of Notes, which could adversely impact the returns of such holders.

The Collateral Manager may, on any distribution date occurring prior to the last day of the reinvestment period, in its sole discretion elect to apply all or a portion of the principal proceeds available for reinvestment to the payment of principal of the Notes in accordance with the priority of payments, which application may result in additional payments and early amortization of principal on the Notes.

Interest Rate Risk. The Notes will bear interest at a rate based on one-month LIBOR. Certain of the collateral debt securities included in the Collateral will include obligations that bear interest at fixed rates. Accordingly, the Notes are subject to interest rate risk to the extent that there is an interest rate mismatch between the floating rate at which interest accrues on the Notes and the rates at which interest accrues on fixed rate securities included in the collateral. There can be no assurance that the collateral debt securities and eligible investments will in all circumstances generate sufficient interest proceeds to make timely payments of interest on the Notes.

Reinvestment Risk. There can be no assurance that in the event that Collateral Debt Securities are prepaid, spreads prevailing at such time will be at the same levels as they were on the closing date with respect to the Offered Securities. To the extent the proceeds of such prepayments are reinvested into lower spread assets, the interest available to pay amounts due on the Offered Securities may be reduced. Reinvestment is at the option of the manager.

Credit Ratings. Credit ratings of debt securities (including any securities issued by the Issuer or any Collateral Debt Security comprising the investment portfolio of the Issuer) represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, and therefore, credit ratings do not fully reflect all risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, and the credit quality of a debt security may be worse than a rating indicates.

Taxation. Taxation of the Offered Securities is complex. Clients should consult their tax advisors. See "Tax Considerations."

No Representation as to Characterization. None of the Issuer, Terwin or Merrill Lynch make any representation as to the proper characterization of the Notes for legal investment or other purposes, as to the ability of particular investors to purchase Notes for legal investment or other purposes or as to the ability of particular investors to purchase Notes under applicable investment restrictions. All institutions the activities of which are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Notes are subject to investment, capital or other restrictions. Without limiting the generality of the foregoing, none of the Issuer, the Collateral Manager and Merrill Lynch, nor any of their respective affiliates makes any representation as to the characterization of the Notes as a U.S.-domestic or foreign (non-U.S.) investment under any state insurance code or related regulations, and they are not aware of any published precedent that addresses such characterization. There can be no assurance as to the nature of any advice or other action that may result from such consideration. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Notes) may affect the liquidity of the Notes.

In addition to the risk factors presented above, you must review carefully the complete presentation of risk factors in the final Offering Circular to be provided.
Risk Factors

Synthetic Securities. Up to [60]% of the CDO may consist of Synthetic Securities, the reference obligations of which are Asset Backed Securities (RMBS, CMBS, CDO Securities) or a specified pool of financial assets (including CDSs), either static or revolving, that by their terms convert into cash within a finite period of time. Synthetic Securities may consist of Credit Default Swaps (CDSs), Total Return Swaps (TRSs), and credit linked notes or a combination of the foregoing. Investments in such types of assets through the purchase of (or entry into) Synthetic Securities present risks in addition to those resulting from direct purchases of such Asset Backed Securities. Each Synthetic Security which is funded at the time it is entered into by the Issuer ("Deceased Synthetic Securities") will require the Issuer to purchase collateral ("Synthetic Security Collateral") to secure its obligations thereunder, which will expose the Issuer to the risk of loss on the Synthetic Security Collateral. With respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the reference obligor on the Reference Obligation. The Issuer generally will have no right directly to enforce compliance by the reference obligor with the terms of either the Reference Obligation or any rights of set off against the reference obligor, nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the reference obligation.

The Issuer will not directly benefit from any 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 counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim of title 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 entered into with any one Synthetic Security Counterparty will subject the Issuer to an additional degree of risk with respect to defaults by such Synthetic Security Counterparty as well as by the reference obligor. One or more affiliates of Merrill Lynch may act as counterparty with respect to all or a portion of the Synthetic Securities purchased by the Issuer, which relationship may create certain conflicts of interest. Furthermore, such affiliates may, in their role as Synthetic Security Counterparty to all or a portion of the Synthetic Securities, make determinations regarding reference obligations and approve or designate the Synthetic Security Collateral to be purchased by the Issuer. In the event of a credit event occurring under any CDS transaction, the Issuer may receive physical delivery of deliverable obligations and, under each TRS Transaction, the Issuer shall receive from the relevant Synthetic Counterparty the applicable TRS Asset. No Synthetic Security Counterparty will grant to the Issuer or Trustee any security interest over any such obligations.

The Issuer expects that the returns on a TRS Transaction will generally reflect those of the related TRS Asset. However, as a result of the terms of the TRS Transaction and the assumption of the credit risk of the relevant Synthetic Counterparty, a TRS Transaction may have a different expected return, a different (and potentially greater) probability of default, a different (and potentially greater) expected loss characteristic following a default and a different (and potentially lower) expected recovery following default.

Derivative Agreements and Close Out Netting. All or any of the Derivative Counterparties may be the same entity. In such event, the Issuer and a Derivative Counterparty may, in respect of each Reference Obligation enter into one ISDA Master Agreement which shall constitute the derivative agreement in respect of all transactions entered into between the Issuer and such Derivative Counterparty in relation to the relevant Portfolio. In the event of the termination in whole of such derivative agreement by reason of an event of default or early termination event thereunder, the Derivative Agreement will provide for the set off or close out netting of all amounts payable thereunder by the Issuer to such Derivative Counterparty against all amounts payable thereunder by such Derivative Counterparty to the Issuer, in each case in respect of the transactions relating to the relevant Portfolio, such that only one "net" termination payment will be made in respect of the termination of all transactions under such derivative agreement. Such termination payment shall be calculated in accordance with the detailed provisions set out in the relevant derivative agreement. The effect of such netting will be that the liabilities of the Issuer in respect of the relevant Portfolio to such derivative counterparty under the derivative agreement will be satisfied in priority to the liabilities of the Issuer to its other creditors in respect of such Portfolio including the relevant Noteholders.

Derivative Counterparty Default. In the event of the occurrence of a Hedge Counterparty Default or a Synthetic Counterparty Default, the Collateral Manager, acting on behalf of the Issuer in respect of the relevant Portfolio, shall seek to find a replacement for the relevant Derivative Counterparty. In the event that the Collateral Manager, acting on behalf of the Issuer, is unable to replace such Derivative Counterparty, the Issuer may be or become unable to repay principal and interest on the relevant Notes after, in each case, paying all amounts payable prior thereto pursuant to the relevant Priorities of Payment. In addition, if one or more Synthetic Transactions are terminated as a result of a "Termination Event" or an "Event of Default" under (and as defined in) an ISDA Master Agreement (Synthetic Master), no Synthetic Transactions remain outstanding thereafter, and the Issuer does not acquire any replacement Synthetic Transactions within two weeks an Event of Default shall occur under the relevant Notes.

Synthetic Security Counterparty acts in its own Interest. In taking any action with respect to the Credit Default Swaps, MLI will be acting solely in its own commercial interests and not as agent, fiduciary or any other capacity on behalf of the Issuer or the holders of the Securities. The Synthetic Security Counterparty is not obligated to consider the interests of the Issuer or the holders of the Securities in selecting Reference Obligations or taking any other actions permitted or required to be taken by the Synthetic Security Counterparty.

In addition to the risk factors presented above, you must review carefully the complete presentation of risk factors in the final Offering Circular to be provided.
6. Tax Considerations
The following is a general discussion of the US federal income tax consequences of investment in securities issued by CDO issuers. The precise tax consequences of investment in the Offered Securities may vary based on the terms thereof and the circumstances of particular prospective investors.

U.S. Federal Income Tax Considerations

Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that: (a) any discussion of federal tax issues contained or referred to hereto is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed on them under the U.S. Internal Revenue Code of 1986, as amended; (b) such discussion is written to support the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax adviser.

Noteholders will be required to treat the Notes as debt for U.S. Federal income tax purposes. It is expected that the Class A Notes, Class B Notes, Class C Notes, Class D Notes, and Class E Notes will, and the Class F Notes should, be treated as debt for U.S. Federal income tax purposes. The tax treatment of the Class G Notes is unclear.

• Some Classes of Notes may be treated as issued with original issue discount ("OID"). A U.S. holder of a Note issued with OID generally must accrue OID into income on a constant yield to maturity basis without regard to cash payments actually received from the Issuer which could result in such U.S. holder owing tax on "phantom income."(2)

• U.S. holders of Preference Shares (and Notes that are treated as equity interests for U.S. Federal income tax purposes) will be treated as owning an interest in a “passive foreign investment company” ("PFIC") and are strongly urged to consult their tax advisors on the advisability and availability of electing to treat the Issuer as a “Qualifying Electing Fund” ("QEF").

• Upon such QEF election, a U.S. holder will be required to currently include in income its pro rata share of the Issuer's ordinary income and net capital gains (as ordinary income and long-term capital gains, respectively) without regard to the cash distributions actually received from the Issuer, which could result in a U.S. holder owing tax on significant amounts of "phantom income." Neither QEF inclusions nor distributions from a PFIC are eligible for either (i) the dividends received deduction or (ii) the preferential rate on dividend income.

• In the absence of such an election, a U.S. holder will be subject to potentially significant tax charges on gains on disposition (or deemed disposition) and certain "excess" distributions (generally, distributions in any year exceeding 125% of the average amount received during the three preceding years or, if shorter, the U.S. holder's holding period). Gains on dispositions would not benefit from the preferential rate on capital gains. This treatment would also generally apply to a U.S. holder of a Note treated as equity for U.S. Federal income tax purposes.
Tax Considerations

- The Issuer could also be a controlled foreign corporation ("CFC") if U.S. persons that each own at least 10% of the Issuer's voting equity (for U.S. Federal income tax purposes) together own more than 50% of the Issuer's voting equity. If the Issuer were a CFC, a U.S. holder that owned 10% or more of the Issuer's voting equity (i.e., potentially the Preference Shares and any Class of Notes recharacterized as equity in the Issuer for U.S. Federal income tax purposes) (i) would not be subject to the PFIC rules described above and (ii) would recognize each year as ordinary income its pro rata share of the Issuer's "subpart F income" (which in the case of the Issuer would be its net earnings) without regard to the cash distributions actually received from the Issuer, which could result in such 10% U.S. holder owing tax on significant amounts of "phantom income." Subpart F inclusions are generally not eligible for either (i) the dividends received deduction or (ii) the preferential rate on dividend income.

- U.S. investors that acquire Preference Shares (and/or Notes that are treated as equity interests for U.S. Federal income tax purposes) at issuance will be required to file an IRS Form 926 or a similar form with the U.S. Internal Revenue Service. In the event that such U.S. holder fails to file any such required form, such U.S. holder could be subject to a penalty (generally up to a maximum of $100,000), computed in the amount of 10% of the fair market value of the securities purchased by such U.S. holder. Certain tax shelter reporting requirements may also apply to such a U.S. holder.

- A U.S. tax-exempt investor should generally not be subject to unrelated business income tax ("UBIT") as a result of an investment in the Notes or the Preference Shares unless such investor either (i) holds more than 50% of the Issuer's equity (for U.S. Federal income tax purposes) and also holds Notes treated as debt (for U.S. Federal income tax purposes) or (ii) holds Notes or Preference Shares that are debt-financed property.

- The Issuer expects to conduct its affairs so that it will not be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes, and accordingly, expects that its income will not be subject to U.S. Federal income tax on a net income basis. If the Issuer is found to be engaged in a U.S. trade or business it would be subject to substantial U.S. Federal tax on its income. The Issuer expects to conduct its affairs so that its income generally will also not be subject to tax on a net income basis in any other jurisdiction. The Issuer also expects that payments received under the Collateral Debt Securities generally will not be subject to withholding tax imposed by the United States or other countries that may be treated as the source of the payments. The Issuer's income might become subject to net income or withholding taxes in the United States or other jurisdictions, however, due to unanticipated circumstances, change in law, contrary positions of relevant tax authorities or other causes. The imposition of unanticipated net income or withholding taxes on the Issuer could materially impair the Issuer's ability to make payments on the Offered Securities.

- If the assets of the Issuer were insufficient to repay the U.S. holders of the Preference Shares or Notes in full, such holders would generally recognize a capital loss on their investment for U.S. Federal income tax purposes. In addition, a U.S. holder may be limited in its ability to use such capital losses.

- All investors will be required to provide the applicable paying agent an IRS Form W-9 (or successor form) in the case of U.S. persons or an applicable IRS Form W-8 (or successor form) in the case of non-U.S. persons.
7. About the Collateral Manager

All information in this section has been supplied by Terwin Money Management LLC except where otherwise indicated, information is as of January 11, 2007.
A. Introduction to The Winter Group
Introduction to the Winter Group

Introduction

Terwin Holdings, LLC, part of The Winter Group ("The Winter Group" or "TWG"), including its affiliates and subsidiaries, is a fully integrated Capital Markets residential mortgage sourcing, securitization, trading and distribution platform with significant servicing and asset management capabilities.

TWG’s operations include:
- Loan origination through bulk acquisitions and mini-bulk/loan-by-loan web site
- Aggregation and securitization
- Distribution through new issue securitization and whole loan trades
- Servicing via Specialized Loan Servicing, LLC, an affiliate of The Winter Group
- Asset Management via Terwin Money Management LLC, an affiliate of The Winter Group

Primary product focus:
- Alt-A (fixed, floating and hybrid) product
- Sub-prime product and Alt-B
- Fixed rate first and second lien mortgage product
- HELOCs

The founding partners (the “Partners”) have extensive industry experience trading, sourcing and distributing residential mortgage credit risk. The Partners represent the core of an industry leading mortgage team at DLJ and subsequently CSFB in Non-agency Whole Loan CMOs for five consecutive years.

Strategic Advantage:
- Unique Platform: TMM benefits from its relationship with The Winter Group
  - TWG’s founders represent the core of an industry leading mortgage team in Whole-Loan Non-Agency CMOs
  - TWG’s sourcing and distribution platform is well positioned to create attractive assets for TMM
- TMM has access to an experienced residential loan special servicing management team
- Significant financial commitment and alignment of interests
Introduction to the Winter Group

Organizational Chart

**Business Description**
- **Purchase & Sale of Whole Loans; Credit Risk Management and Quality Control**
- **Securitizations (AAA to NR) and Proprietary Trading**
- **Structured Finance CDOs, Funding Opportunities for Non-performing, Scratch & Dent and Residuals**
- **Servicing platform for Terwin securitizations.**

**Locations**
- New York City, San Francisco, Northern Virginia, Denver, Colorado
- New York City
- Woodland Hills, California
- Denver, Colorado
Introduction to the Winter Group

Strategic Partners

- 18.5% ownership interest in TWG
- Secured Sub-Debt
- Unsecured Sub-Debt
- Mezzanine capital on correspondent warehouse facility
- Investor in TWG sponsored residual funds

- $1.5B Warehouse Lines for Alt-A and Sub-prime 1st and 2nd liens and HELOCs
  - $725mm committed
  - $775mm uncommitted
- Underwriting/distribution partnership
- Secured Sub-Debt
- Mortgage Loan Repo Provider on Taku I L.P.

- $500mm Senior Warehouse Facility – Sovereign Bank
- $500mm Senior Warehouse Facility – Dresdner Bank
- $600mm Senior Warehouse Facility – WAMU

- $800mm Senior Warehouse Facility for Correspondent Funding

- $25mm Advance Line Facility for SLS
- $10mm Servicing Rights Financing Line
B. Terwin Money Management LLC Overview
Terwin Money Management LLC Overview

Terwin Asset Management and Terwin Money Management

- Terwin Asset Management LLC ("TAM") is an asset management business which focuses on credit related mortgage backed securities investments. Terwin Money Management LLC ("TMM") is a wholly-owned subsidiary of TAM dedicated to the issuance and management of structured finance CDOs.

- TMM is comprised of individuals with extensive expertise in mortgage credit investing. Their portfolio management and credit experience includes managing mortgage credit for the largest publicly traded insurance group. TMM's objective is to insure delivery of the stated returns by purchasing high quality assets which have historically had excellent performance, and which form the core of the team's expertise. (1)

- TMM has closed ten transactions to date: three high grade asset backed CDO transactions - "Cascade Funding CDO I", "Athos Funding Ltd" and "Tazlina Funding CDO I" and seven mezzanine ABS CDOs - "Glacier Funding CDO I", "Glacier Funding CDO II", "Glacier Funding CDO III", "Glacier Funding CDO IV", "Northwall Funding CDO I" and "Bering CDO I". "Kefton CDO I," is a mezzanine synthetic CDO.

- TMM receives considerable support from its parent, The Winter Group, which has built an integrated capital markets residential mortgage acquisition, securitization, trading and distribution platform. TWG focuses primarily on non-agency jumbo, Alt-A, subprime, and fixed rate first and second lien mortgage product. The founding partners of TWG have extensive industry experience trading, sourcing and distributing mortgage credit risk.

- TWG will provide support services to TMM in a variety of areas including operations, systems, control, and risk management. TMM has access to the subordinated securities produced by TWG, thereby insuring a consistent flow of high quality assets.

(1) There can be no assurance that the professionals currently employed by the Collateral Manager will continue to be employed by the Collateral Manager or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.
Terwin Money Management LLC Overview

Transactions Summary

<table>
<thead>
<tr>
<th>DEAL NAME</th>
<th>CLOSE DATE</th>
<th>DEAL TYPE</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glacier Funding CDO I</td>
<td>3/10/2004</td>
<td>Mezzanine</td>
<td>300,000,000</td>
</tr>
<tr>
<td>Cascade Funding CDO I</td>
<td>7/26/2004</td>
<td>High Grade</td>
<td>400,000,000</td>
</tr>
<tr>
<td>Glacier Funding CDO II</td>
<td>10/12/2004</td>
<td>Mezzanine</td>
<td>500,000,000</td>
</tr>
<tr>
<td>Athos Funding Ltd.</td>
<td>5/16/2005</td>
<td>High Grade</td>
<td>1,000,000,000</td>
</tr>
<tr>
<td>Northwall Funding CDO I</td>
<td>5/17/2005</td>
<td>Mezzanine</td>
<td>300,000,000</td>
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<tr>
<td>Glacier Funding CDO III</td>
<td>7/29/2005</td>
<td>Mezzanine</td>
<td>500,000,000</td>
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<tr>
<td>Glacier Funding CDO IV</td>
<td>4/12/2006</td>
<td>Mezzanine</td>
<td>400,000,000</td>
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<td>Tazlina Funding CDO I</td>
<td>6/1/2006</td>
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<td>1,500,000,000</td>
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<td>Bering CDO I</td>
<td>8/15/2006</td>
<td>Mezzanine</td>
<td>400,000,000</td>
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<tr>
<td>Kefton CDO I</td>
<td>12/14/2006</td>
<td>Mezzanine/Synthetic</td>
<td>670,000,000</td>
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</table>
### Collateral Statistics

<table>
<thead>
<tr>
<th></th>
<th>Glacier Funding CDO I</th>
<th>Cascade Funding CDO I</th>
<th>Glacier Funding CDO II</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As of 12/6/06 Constraint</td>
<td>As of 11/27/06 Constraint</td>
<td>As of 11/8/06 Constraint</td>
</tr>
<tr>
<td>Diversity Score</td>
<td>18.3 ≥ 16</td>
<td>32.3 ≥ 18</td>
<td>21 ≥ 15</td>
</tr>
<tr>
<td>Floating Spread</td>
<td>179.2 ≥ 186</td>
<td>96 ≥ 87</td>
<td>207.5 ≥ 206</td>
</tr>
<tr>
<td>Fixed Coupon (%)</td>
<td>5.269 ≥ 5.24</td>
<td>5.63 ≥ 5.37</td>
<td>5.37 ≥ 5.34</td>
</tr>
<tr>
<td>Moody’s Rating Factor</td>
<td>310 ≤ 325</td>
<td>55 ≤ 45</td>
<td>322 ≤ 340</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Athos Funding Ltd.</th>
<th>Northwall Funding CDO I</th>
<th>Glacier Funding CDO III</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As of 11/30/06 Constraint</td>
<td>As of 11/30/06 Constraint</td>
<td>As of 10/29/06 Constraint</td>
</tr>
<tr>
<td>Diversity Score</td>
<td>23 ≥ 19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Floating Spread</td>
<td>66 ≥ 65</td>
<td>209 ≥ 200</td>
<td>175 ≥ 168</td>
</tr>
<tr>
<td>Fixed Coupon (%)</td>
<td>5.28 ≥ 5.20</td>
<td>5.55 ≥ 5.50</td>
<td>5.23 ≥ 5.18</td>
</tr>
<tr>
<td>Moody’s Rating Factor</td>
<td>42 ≤ 45</td>
<td>-</td>
<td>353 ≤ 400</td>
</tr>
<tr>
<td>Moody’s Asset Correlation (%)</td>
<td>-</td>
<td>-</td>
<td>16.20 ≤ 17.00%</td>
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<tr>
<td>Fitch’s Rating Factor</td>
<td>-</td>
<td>4.3 ≤ 6</td>
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</tr>
<tr>
<td>Weighted Average Life</td>
<td>-</td>
<td>2.38 ≤ 6.50</td>
<td>4.07 ≤ 6.20</td>
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<table>
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<tr>
<th></th>
<th>Glacier Funding CDO IV</th>
<th>Tazlina Funding CDO I</th>
<th>Bering CDO I</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As of 1/5/07 Constraint</td>
<td>As of 12/8/06 Constraint</td>
<td>As of 1/8/07 Constraint</td>
</tr>
<tr>
<td>Floating Spread</td>
<td>193 ≥ 185</td>
<td>60.5 ≥ 55</td>
<td>213 ≥ 195</td>
</tr>
<tr>
<td>Fixed Coupon (%)</td>
<td>5.55 ≥ 5.45</td>
<td>5.67 ≥ 5.50</td>
<td>5.58 ≥ 5.20</td>
</tr>
<tr>
<td>Moody’s Rating Factor</td>
<td>414 ≤ 423</td>
<td>47 ≤ 55</td>
<td>-</td>
</tr>
<tr>
<td>Moody’s Asset Correlation (%)</td>
<td>19.56 ≤ 20.40%</td>
<td>16.80 ≤ 24.00%</td>
<td>-</td>
</tr>
<tr>
<td>Fitch’s Rating Factor</td>
<td>-</td>
<td>-</td>
<td>3.8 ≤ 5</td>
</tr>
<tr>
<td>Weighted Average Life</td>
<td>3.74 ≤ 5.40</td>
<td>5.158 ≤ 8.50</td>
<td>5.59 ≤ 7.00</td>
</tr>
</tbody>
</table>

(1) Data from Trustee reports provided by Terwin.
(2) Historical results are for portfolios with investment guidelines that are different from the guidelines in the structure contemplated herein. Past performance is not indicative of future results.
(3) All information in this section has been supplied herein by Terwin.
Terwin Money Management LLC Overview

Resources

Terwin Money Management

- Excellent track record in achieving high return on mortgage credit risk.
- A leader in the breadth of due diligence and analysis of issuers and securities prior to purchase and in performance tracking after.
- Experienced in all aspects of the residential MBS market, including Prime and Alternative-A MBS, Home Equity, Tax Liens and manufactured housing.
- Expertise in purchasing and securitizing residential mortgage loans and in re-remics of existing MBS portfolios.

TWG Team Expertise

- Industry leaders from DLJ/CSFB
- Securitized and distributed over $100 billion of RMBS
- Proprietary pricing model
- Extensive loan-level due diligence
- Experience in all major types of collateral:
  - Agency (FHLMC, FNMA)
  - Non-Agency Jumbo
  - Alt-A
  - Sub-Prime
  - HELs

Specialized Loan Servicing

- The Winter Group owns a majority interest in Specialized Loan Servicing LLC ("SLS"), a Denver based servicing platform focused on resolving 90+ day delinquent loans. Management owns a minority interest.
- The CEO of SLS is John Beggins, who with his team of experienced managers has grown SLS to 133,057 loans with capacity for significant growth.
- As of October 31, 2006 SLS services $10.9 billion of residential loans.
Terwin Money Management LLC Overview

Current Organization and Anticipated Growth

<table>
<thead>
<tr>
<th>Portfolio Management</th>
<th>Arms Length Servicing Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sam Rainieri</td>
<td></td>
</tr>
<tr>
<td>Chief Investment Officer</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>To Be Hired</th>
<th>RoseAnna Sevck</th>
<th>Karen Schnurr</th>
<th>Madelyn Schwartz</th>
<th>John Bunt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Manager</td>
<td>Sr. Portfolio Manager/EVP</td>
<td>Sr. VP</td>
<td>Chief Operating Officer</td>
<td>VP</td>
</tr>
<tr>
<td>CMBS/RMBS</td>
<td></td>
<td></td>
<td>Credit</td>
<td>Surveillance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4 FTE</th>
<th>1 Manager</th>
<th>2 to be hired</th>
<th>1 FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Analysts</td>
<td>GDO Administration</td>
<td>Servicer/ Originator Due Diligence</td>
<td></td>
</tr>
</tbody>
</table>

TMM Employees and future growth

Shared resources with TWG areas

(1) There can be no assurance that the professionals currently employed by the Collateral Manager will continue to be employed by the Collateral Manager or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.
C. Internal Controls, Audit and Compliance
Internal Controls, Audit and Compliance

Board Oversight Responsibilities

- Determine and approve the type of vehicles to be created and managed by TMM
- Approve the amount of equity to be invested
- Approve the terms of any financing
- Approve the general investment profile of the vehicle
- Approve TMM's Investment Policies and Guidelines, and any exceptions
- Approve hedging strategies

Internal Audit Responsibilities

- Review and approve financial statements of any issuer/service providers rated below BBB- or unrated
- Approve hedging counterparties
- Monitor performance of TMM's investment vehicles
- Monitor adherence to the stated investment profile
- Monitor choice of hedging instruments

Risk Management

- TMM employs hedging tools primarily to offset interest rate risk during the accumulation period.
- TMM's Board has approved the use of interest rate swaps, caps, and forward sales and shorting of US Treasuries, as hedges for either individual securities or aggregate portfolios.
- Determination of specific hedging strategies is the responsibility of TMM's chief investment officer.
- Use of any additional hedging instruments must be approved by the Board.
Internal Controls, Audit and Compliance

Investment Policies and Guidelines

- TMM only invests in securities that meet the following criteria, in addition to each investment vehicle's limitations:
  - RMBS
  - Real estate-related ABS (home equity, seconds, and B&C first)
  - CMBS
  - REITs
  - ABS CDOs
  - Synthetic RMBS/ABS securities
  - No manufactured housing
  - Other ABS

- Additional criteria include:
  - Debt securities issued in USD by a US issuer.
  - Fixed or floating rate
  - Public or 144A
  - Maximum 15% private placements
  - Maximum 20% noninvestment grade
  - No PIK securities except A and BBB rated ABS CDOs
  - Maximum 7.5% ownership of a single issue
D. Investment Strategy
Investment Strategy

Philosophy

- Provide a value oriented, highly disciplined approach, investing in mortgage credit assets designed to perform over the long term.

- Employ extensive portfolio management experience to invest in higher quality assets that will ensure a more stable return profile.

- Invest primarily in assets that leverage the expertise of the group and which are issued by high quality issuers.

- Maximize returns and minimize losses by maintaining a consistently high level of due diligence and surveillance. Loss mitigation relies on in-depth knowledge of the seller/servicers and their product, extensive bond credit analysis, close performance tracking on a bond-by-bond basis and enforcement of representation and warranties.
Investment Strategy

Asset Allocation

- TMM invests primarily in RMBS and real estate related ABS, with lesser allocations to CMBS/REIT

- Asset allocation within these asset types is made by the CIO and portfolio managers with the oversight of the Board and is divided as follows:
  - Prime A
  - Alt-A
  - Subprime
  - CMBS conduit or single asset
  - REITs
  - ABS CDOs

- Other allocation considerations include:
  - The credit curve
  - Issuer and/or servicer
Investment Strategy

Investment Process

Issuer/Service Selection

Relative Value/Sector

Bond Analysis

Post Purchase Surveillance

Issuer/Service Selection

Relative Value/Sector

Bond Analysis

Post Purchase Surveillance
Investment Strategy

Analysis of Market Trends

- Macro economic data from Wall Street, rating agencies and others
- Real estate value trends from FHLMC, OFHEO, TREPP market reports and alerts, Economy.com regional, MSA and state reports, rating agencies, Wall Street and issuers
- General credit trends by review of delinquencies and loss statistics from outside sources such as the rating agencies and the MBA
- Review of specific issuer and individual bond’s performance statistics
- Market trends from consistent dialogue with investment bankers and issuers, including TWG
Investment Strategy

Issuer/Servicer Selection

- Pre On Site Due Diligence
  - Obtain and review financials
  - Review issuer's underwriting and product guidelines for level of risk and compare to peers
  - Review the past performance of each product type, including:
    - Current year
    - Year by year vintage analysis
  - Review rating agency and Wall Street research
  - Review the issuer’s standard reps and warranties
- On Site Due Diligence
  - Conducted prior to commencing a significant purchase program with an issuer
  - Repeat On Site due diligence every 18 months to 2 years thereafter, with a focus on material adverse changes in strategy and operations
  - On site review includes a discussion of:
    - Management, especially credit risk management, their experience and depth
    - Origination process, including credit scoring systems
    - Underwriting process and quality
    - Appraisal process
    - Pre-funding quality control and fraud prevention
    - Post funding quality control process and results
    - Servicing quality, with an emphasis on loss mitigation
    - Compliance/predatory lending
Investment Strategy

Relative Value and Sector Analysis

- Constant review of relative value between each sub-sector of RMBS targeted by the Fund:
  - Prime
  - Alt-A
  - Subprime
  - HELs
  - Credit enhancement
  - Rating
  - Fixed/floating
  - Spreads

- Relative value comparison of the credit curve vis à vis the manager’s credit outlook

- Tracking of industry trends with emphasis on movement in credit risk profiles of originations
Investment Strategy

ABS Investment Process

- Overview
  - Following Issuer/Servicer approval process, investments are considered using both relative value/sector analysis as well as specific deal analysis
  - Relative value/sector analysis combines Terwin’s general opinion of the residential housing market including market trends, sector trends, Issuer performance, diversification objectives and capital market trends
  - Deal analysis involves an in-depth review of deal structure, credit risk, a full analysis of the collateral stratification and credit stresses applied on a deal by deal basis

- Investment Process Diagram

  Deal Announcement → Initial Review → Initial Credit Write Up

  - New deal information is received by CIO or Sr. Portfolio Manager

  - The deal is declined if it does not meet requirements

  - A draft Credit Write up is completed if CIO/Sr. Portfolio Manager determine the bond to be a potential buy

  → Credit Analysis → Final Credit Write Up → Accepted or Declined → Buy

  - In depth credit analysis conducted including stress runs and if needed, calls with key parties

  - Final draft of report is reviewed by the CIO or Sr. Portfolio Mgr., then the report is finalized and decision made
Investment Strategy

**Bond Analysis**

**Structure Analysis**
- Depth and robustness of the reps and warranties made by the issuer
- Cash flow waterfall
- Lockouts and triggers
- Type and amount of credit enhancement

**Credit Analysis - Investment Grade Bonds**
- In depth review of collateral characteristics and levels of credit enhancement with emphasis on any concentration of risk
- Loan level review of any areas of the collateral pool identified as presenting undue risk
- Credit stressing analysis using Intex, Bloomberg, Rating Agency and/or dealer systems and utilizing TMM's default and loss severity assumptions

**Non-Investment Grade Bonds (Prime and Alt-A)**

**CMBS**
- In depth review of collateral characteristics and levels of credit enhancement with emphasis on any concentration of risk
- Loan level review of any areas of the collateral pool identified as presenting undue risk
- Credit stressing analysis using Intex, Bloomberg, Rating Agency and/or dealer systems and utilizing TMM's default and loss severity assumptions
E. Post-Purchase Surveillance
Post-Purchase Surveillance

- Post Purchase Issuer Due Diligence
  - Ongoing dialogue with credit risk management to monitor any changes in the credit risk profile
  - Periodic follow up visits

- Post Purchase Asset Performance Monitoring
  - Monthly review of the delinquency and loss statistics and a twelve month history for each asset in the Fund — place any bond or residual which shows potential credit deterioration on a watch list
  - Monthly review of the adequacy of the remaining credit enhancement, and a sell versus hold analysis is completed to determine the maximum recovery amount
  - Ongoing discussions with the servicer regarding any rapid increase in delinquencies, early payment defaults or any violations of representation and warranties
  - Track the actual versus the projected delinquency and loss performance of the asset
  - Any TWG bonds or residuals benefit from an additional level of surveillance and loss mitigation conducted by an outside vendor, Murray Hill or RMG
  - Monitor rating agency actions
  - Monitor trustee distributions

- Post Issuance CDO Monitoring
  - TMM utilizes the CDO Sentry system to monitor
    - Collateral holdings
    - Hedges
    - Transaction tests
    - Trustee monitoring and reconciliation
    - Preferred share returns
  - Surveillance and monitoring reports are available to investors via a protected website
## Systems Utilized

<table>
<thead>
<tr>
<th>System</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intex</td>
<td>Cash flow and credit modeling system for RMBS and ABS. Allows TMM to view information and cash flows on individual securities and to run credit stresses</td>
</tr>
<tr>
<td>Bloomberg</td>
<td>Individual analytics for all structured finance securities</td>
</tr>
<tr>
<td>Trepp</td>
<td>Cash flow and credit modeling for CMBS. Allows TMM to view information and cash flows on individual securities and to run credit stresses</td>
</tr>
<tr>
<td>CDO Sentry</td>
<td>CDO monitoring and portfolio management system</td>
</tr>
</tbody>
</table>

## Disaster Recovery

- Back Up Server Nightly with off-site storage
- Key Employees Can Access System via laptops through VPN
- System Support through New York Office
- E-mail system is co-located with Globix with highest level of power, connectivity and security and can be accessed via the web
- CDO Sentry backed up to Atlantic Information Systems
Post-Purchase Surveillance

Website (1)

- Provides investor information to registered security holders and rating agencies only
- Login is tied to investor’s specific holdings
- Reports and documents can be viewed online and printed
- Reports and documents include:
  - 12 Month Rolling Delinquency
  - Actual vs. Projected Performance
  - Compliance Reports
  - Portfolio Holdings
  - Defaulted Securities
  - Trustee Reports
  - Offering Circular
  - Indenture

(1) This sample research report is included for illustrative purposes only and does not address the specific investment objectives, financial situation and the particular needs of any specific person or investor and should not be relied upon. Neither the information nor any opinion expressed in the report constitutes a solicitation or recommendation by Merrill Lynch or the Collateral Manager of the purchase or sale of any securities or investment.
F. Key Investment Professionals (1)

(1) There can be no assurance that the professionals currently employed by the Collateral Manager will continue to be employed by the Collateral Manager or that the past performance or success of any such professional serves as an indicator of such professional’s future performance or success.
Key Investment Professionals

Biographical Information

Sam Rainieri

Chief Investment Officer. Ms. Rainieri has over 23 years experience in portfolio management and structured finance for financial institutions. She has extensive experience in the capital markets in mortgage-backed securities, primarily in mortgage credit. Prior to her term as Chief Credit Officer at Countrywide, Ms. Rainieri was Senior Vice President/Portfolio Manager at AIG SunAmerica Investments, where she managed one of the largest subordinated mortgage-backed securities portfolios in the United States. In over ten years at AIG SunAmerica she grew the portfolio from $626 million at year-end 1993 to $6.9 billion as of April 30, 2002, of which $4.3 billion were subordinated securities and $2.6 billion were senior securities. During this time the subordinated portfolio experienced minimal losses over ten years. As of April 2002 the portfolio had experienced significant upgrades and minimal downgrades. During her tenure at AIG SunAmerica she invested in a variety of mortgage related subordinated instruments including prime and Alt-A MBS, home equity, tax liens, and manufactured housing. She also managed the purchase of performing and nonperforming mortgage loans both for investment and securitization. Several re-securitizations, including the first and largest public Re-Remic, were executed resulting in significant profits to AIG SunAmerica. The investment decision making process relied on a high level of knowledge of the real estate and mortgage markets, purchasing assets from top tier issuers, extensive up front due diligence of issuers including on site visits, in depth credit analysis of each individual bond, and a comprehensive monthly or quarterly surveillance of the performance of each bond owned. This resulted in superior returns due to the high quality of the investments and the ability to remove assets that were likely to experience a downturn prior to its occurrence. Prior to joining AIG SunAmerica, Ms. Rainieri had over 10 years of experience in the Secondary Marketing division of various banks and mortgage companies. She held several positions where she managed securitizations, mortgage purchases, contract negotiations, investor sales, investor delivery and mortgage loan underwriting.

RoseAnna Sevcik

EVP and Senior Portfolio Manager. Ms. Sevcik has over 20 years experience in structured finance and portfolio management. Ms Sevcik’s experience includes both portfolio management and trading in structured products within the asset backed, mortgaged backed and commercial mortgage backed sectors. She was 1st Vice President/Portfolio Manager at Countrywide Home Loans responsible for trading the mortgage companies Non-Conforming, Heloc, Subprime and Fixed Rate Seconds pipelines which totaled approximately 5 billion per month. Ms. Sevcik was also responsible for management of the subordinated portfolio for Balboa Insurance, a sister company of Countrywide. Prior to her position with Countrywide she held the position of Vice President/Assistant Portfolio Manager at AIG SunAmerica Investment where she assisted with the management of a multi billion dollar portfolio invested in both senior and subordinated securities. She was also responsible for ongoing security performance analysis as well as originator and servicer due diligence reviews. Ms. Sevcik managed the commercial, residential and asset-backed security portfolios for Penn Mutual Insurance prior to her position with AIG SunAmerica. This included supervising the securitization of the Insurance Company’s commercial loan portfolio. Throughout her career she has focused on both senior and subordinate securities within residential and commercial structures with a primary focus on analysis of credit quality within structures. She also has experience in documentation and structuring of securities.
Key Investment Professionals

Biographical Information (cont’d)

Karen Schnurr

SVP and Chief Operating Officer. Ms. Schnurr has over 20 years of investment management experience primarily in the area of mortgage credit. She worked at AIG SunAmerica assisting with the subordinated mortgage-backed securities portfolio that grew to $6.9 billion by providing ongoing performance analysis of the portfolio. Additionally, she conducted originator and servicer due diligence visits to ensure the quality of product purchased and continued performance of collateral. During her tenure, she also co-managed a $3 billion portfolio of senior mortgage-backed securities. Ms. Schnurr held the position of loan servicing manager. She managed the company’s relationship as seller/servicer with Fannie Mae, Freddie Mac and private issuers as well as relationships with document custodians and trustees. She supervised the outside mortgage servicing company that serviced 10,000 loans the company securitized. For certain investors, she directed the disposition of defaulted assets. Ms. Schnurr participated in many phases of mortgage loan securitization for four private transactions, and Freddie Mac and Fannie Mae swaps including due diligence, accounting, engagement of trustees and document custodians, preparation and recording of assignments, coordination of transfer of loans to securities by servicers, and trailing document research. Prior to working in the mortgage area of AIG SunAmerica, Ms. Schnurr produced reports and modeling for the Chief Investment Officer and Treasurer for the company’s fixed income and equity portfolio which at that time totaled $10 billion. She forecasted investment income for annual and quarterly business plans, coordinating investment assumptions with various department managers. She also managed a $200 million short term portfolio for a newly acquired subsidiary.

Madelyn Schwartz

SVP Credit. Ms. Schwartz has over 25 years of experience in all aspects of credit and lending and obtained a broad based understanding of the financial services industry through management level positions at mortgage banking firms, commercial banks and savings banks. Ms. Schwartz was with Bank of America for nine years. As Senior Vice President, Investor and Mortgage Insurance Relationship Manager she was responsible for all aspects of agency (Fannie Mae and Freddie Mac) relations. This included contract negotiations, credit variances and coordination of investor audits. Annual sales were in excess of $40 billion. As vendor manager for the Bank’s relationships with all mortgage insurance providers she negotiated contracts, service level performance and pricing, and captive reinsurance structures. Previous responsibilities with Bank of America included portfolio sales generating $40 million in revenue annually; development of a Long Term Standby Commitment structure with Fannie Mae wherein assets remained on the Bank’s balance sheet but credit risk transferred to Fannie Mae, these assets although in whole loan form, received MBS risk based capital treatment. As Commercial Credit Compliance Officer for The Private Bank division of Bank of America, she was responsible for all aspects of credit compliance as well as the coordination of internal audits and external examinations. Her other financial services experience includes: Senior Vice President at a national warehouse lending company where she guided account managers in the analysis and preparation of credit packages for company approval; First Vice President responsible for all mortgage origination functions, secondary marketing and loan servicing at a Savings & Loan.
Key Investment Professionals

Biographical Information (cont’d)

Jim Sauer

Audit and Control, TMM. Jim Sauer is responsible for all audit and control matters for TMM. Jim began his career with Coopers and Lybrand as an associate in both the audit and tax practices. In 1993, he joined AstraZeneca Pharmaceuticals and held a variety of positions in the Controllers Departments in the US and London offices, prior to becoming the Finance Director for the US Oncology business unit. Jim’s experience with AstraZeneca included financial reporting, several international M&A projects and currency hedging analysis. Jim has a B.S. from Rutgers University, an MBA from Temple University and is a CPA.

Rich Winter

CEO and Managing Director. Richard Winter is the architect of the pricing technology and the visionary leader of the company. Rich began his career in 1988 at Deloitte, Haskins, Sells as an auditor. He joined Kidder Peabody in 1991 and Donaldson, Lufkin and Jenrette in 1994. Rich ran the #1 ranked Whole Loan CMO desk for 21 straight quarters, from June 1995 until Sept. 2000, with a market share that exceeded 20%. In 2000, DLJ was acquired by Credit Suisse First Boston and Rich was named the Co-Head of the Residential Mortgage Group. By July 2002, he had overseen the securitization and sale of more than $100 billion in Non-Agency Mortgage products which included Jumbo A, Alt-A, A-Minus, Sub-prime, Scratch and Dent and Non-performing. Rich was twice awarded DLJ “Super Achiever” Award, given to the top 1% at the firm. Rich has a B.A. from Wesleyan University, a MBA from New York University and is a CPA.

Thomas Guba

President and Managing Director. Thomas Guba is responsible for all administrative aspects of the company. Tom began his career on Wall Street in 1974 and has a wide variety of mortgage experience. He was responsible for running the mortgage trading operation at Paine Webber from 1977-1984 and at Drexel Burnham Lambert from 1984-1990. During the early 1990’s he ran Mabon Securities’ mortgage and treasury operation and headed Smith Barney’s fixed income department. In 1994, he joined DLJ and ran their residential mortgage business, their U.S. Treasury operation and was the National Sales Manager for Fixed Income when DLJ was acquired by Credit Suisse First Boston. At CSFB, Tom was responsible for all structured product sales, which included MBS, CMBS, Asset-Backed and CLO/CBOs. Tom is a graduate of Cornell University and has an MBA from New York University.
Appendix
Appendix A
Collateral Cashflow Formulas
Appendix A
Collateral Cashflow Formulas

Calculation of Collateral Defaults in each Period

 Defaults = \( B \times D / PPY \)

where:

\( B \) = Beginning performing collateral balance (w/o reduction for current amortization or prepayments)
\( D \) = Annual Default rate (%)
\( PPY \) = number of payments per year (e.g., 4 for quarterly)

Calculation of Interest Payments in each Period

 Interest = \( (B - \text{Defaults}) \times C \times DCF \)

where:

\( B \) = Beginning performing collateral balance (w/o reduction for current amortization or prepayments)
Defaults = defaults in the current period
\( C \) = collateral annual interest rate for the period
\( DCF \) = collateral daycount fraction for the period (expressed in years)
Appendix B: Description of ‘Pay-As-You-Go’ Synthetic Securities
Description of ‘Pay - As - You - Go’ CDS

Synthetic Securities: An Overview of ‘Pay-As-You-Go’ Credit Default Swap (“PAUGO CDS”)

- It is anticipated that the portfolio will consist of approximately [90]% Structured Finance Securities and [10]% ABS CDO Securities. Of the entire pool of underlying securities, it is expected that, on Ramp Up Completion Date, approximately [60]% of the portfolio will consist of synthetic securities in the form of PAUGO CDS.

- Pay-As-You-Go CDS (PAUGO) combines the features of a traditional credit default swap and some of the features of a total return swap (TRS) to accommodate the complexity of structured finance bonds.

- PAUGO CDS is structured to mimic the credit risk and cash flow of the underlying reference obligations.
Description of ‘Pay – As – You – Go’ CDS

Overview of ‘Pay-As-You-Go’ CDS – What are Credit Events?

Credit Events(1)

Failure To Pay Principal*
- When the Reference Obligation fails to make the full amount of any mandatory principal payments to bondholders.

Distressed Ratings Downgrade
- When one of the rating agencies (Moody’s, S&P, or Fitch) assigns a rating to the Reference Obligation of Caa2/CCC/CCC or below.(2)

Writedown*
- As disclosed in the trustee report, when a loss is applied to a Reference Obligation.
- When the Reference Obligation has an explicit “write-down” of principal.
- Implied Write-down: when the aggregate face value of the assets securing the related securitization trust is less than the aggregate face value of the Reference Obligation and all obligations senior to it.

Failure to Pay Interest*
- Reference obligation fails to pay the full amount of interest due to bondholders. **

In the instance of a credit event the Protection Buyer (MLI) will have the option to deliver the physical bond to the Protection Seller (Glacier Funding CDO V CDO, Ltd) in part or in whole.

(1) See Offering Documents for additional information relating to the Credit Default Swaps and Credit Events and Settlement.
(2) May change based on the Reference Obligation Type.
* MLI as Swap Counterparty will have the option to declare a Credit Event and physically settle or to declare a Floating Amount Event as explained and cash settle.
** This event applies to CDO reference obligations only and is similar to Interest Shortfall (see next slide), but can be called only if 1. the shortfall exceeds a certain threshold, and 2. the failure persists for one year (for PIRable reference obligations only)
Description of ‘Pay - As - You - Go’ CDS

Overview of ‘Pay-As-You-Go’ CDS – What are Floating Amount Events?

Floating Amount Events

Failure To Pay Principal
- When the Reference Obligation fails to make the full amount of any mandatory principal payments to bondholders.

Writedown
- As disclosed in the trustee report, when a loss is applied to a Reference Obligation.
- When the Reference Obligation has an explicit “write-down” of principal.
- Implied Write-down: when the aggregate face value of the assets securing the related securitization trust is less than the aggregate face value of the Reference Obligation and all obligations senior to it.

Interest Shortfall
- When the Reference Obligation fails to pay the full amount of any interest due to bondholders.
Description of ‘Pay - As -You - Go’ CDS

Overview of ‘Pay-As-You-Go’ CDS – Buyer’s Options

Certain events could either be considered as Credit Event or Floating Amount Event

Reference bond either writes down, or fails to pay interest (if the Reference Obligation is a CDO) or principal

- Buyer elects to receive Floating Amount
  - CDS continues with reduced notional amount

- Buyer elects Physical Settlement
  - Buyer elects full Physical Settlement
  - CDS terminates
  - Buyer elects partial Physical Settlement
    - CDS continues for the unsettled portion

Buyer elects to receive reduced Physical amount

CDS continues with reduced notional amount

Buyer elects Physical Settlement

CDS terminates

CDS continues for the unsettled portion