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Presale: Atrium II/Atrium II (Delaware) Corp.

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$250 Million Fixed- and Floating-Rate Notes and Preference Shares

This presale report is based on information as of Dec. 16, 2003. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings as of Dec. 16, 2003

Class	Preliminary rating*	Preliminary amount (mil. $)	Recommended credit support (%)
A-1	AAA	185.0	26.0
A-2a	AA	12.0	19.2
A-2b	AA	5.0	19.2
B	A	11.0	14.8
C-1	BBB	6.0	10.0
C-2	BBB	6.0	10.0
Preference shares	N.R.	25.0	N/A

*The rating of each class of securities is preliminary and subject to change at any time. N.R.—Not rated. N/A—Not applicable.

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Profile

Expected closing date: Dec. 18, 2003.

Collateral: Primarily senior secured bank loans with a small amount of bonds, synthetic securities, and leases.

Underwriter: Credit Suisse First Boston LLC (A+/Stable/A-1).

Collateral manager: Credit Suisse Asset Management LLC.

Trustee, account bank, custodian, and paying agent: JPMorganChase Bank (A+/Negative/A-1).

Reinvestment period: Six years.

Ramp-up period: Approximately 90 days.

Noncall period: Five years.

Legal final maturity: Jan. 22, 2016.

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Rationale

The preliminary ratings assigned to Atrium II/Atrium II (Delaware) Corp.'s fixed- and floating-rate notes reflect:

- The expected commensurate level of credit support in the form of subordination to be provided by the notes junior to the respective classes;
- The cash flow structure, which is subject to various stresses requested by Standard & Poor's;
- The experience of the collateral manager: Atrium II is the 11th CDO managed by Credit Suisse Asset Management LLC (CSAM); and
- The legal structure of the transaction, which includes the bankruptcy remoteness of the issuer.

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Standard & Poor's CDO Evaluator Benchmark Statistics

Table 1 indicates the benchmark results generated by the application of Standard & Poor's CDO Evaluator to the proposed collateral pool.

Table 1 Benchmark Statistics	
Weighted avg. rating (WAR)	B+
Weighted avg. maturity (WAM) (yrs.)	4.89
S&P default measure (DM) (%)	3.60
S&P variability measure (VM) (%)	2.12
S&P correlation measure (CM)	1.25
ROC (%)	
Class A-1	115.54
Class A-2	112.69
Class B	108.79
Class C-1	104.63
Class C-2	104.63
ROC—Rated overcollateralization.	

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Strengths, Concerns, and Mitigating Factors

Strengths

The strengths of this transaction include:

- The portfolio consists of a diversified pool of loans, bonds, synthetic securities, and other obligations meeting certain collateral coverage and quality requirements;
- The quality of the portfolio will be monitored throughout the reinvestment period by overcollateralization tests and interest coverage tests;
- The collateral manager has good CDO experience with additional transactions currently in the market;
- There is an adequate level of hedge protection with appropriate counterparty ratings; and
- During the reinvestment period, if the class C par value test falls below a threshold, up to half of the excess spread is reinvested. After the reinvestment period, the excess spread pays down the notes sequentially.

Concerns

The following concerns have been identified:

- The structure allows for carving out a current-pay obligation from the definition of defaulted obligations;
- The structure contemplates a 5% 'CCC' bucket; and
- The interest coverage ratio is calculated in a nonstandard fashion.

Mitigating Factors

The factors mitigating these concerns are:

- For purposes of the overcollateralization ratio test, current-pay obligations must be carried at the lesser of market value and par. In addition, only up to 5% of the collateral may be considered current-pay obligations;
- For the purpose of calculating the overcollateralization triggers, this transaction will include certain haircuts for lower rated assets; and
- The model has taken into account the interest coverage ratio as defined.

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Structural Overview

The issuer, Atrium II, is a company incorporated with limited liability under the laws of the Cayman Islands. Its only purpose is to acquire the portfolio, issue the notes, enter into transaction documents, and engage in certain related transactions. The issuer is expected to meet Standard & Poor's bankruptcy-remote criteria.

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Collateral Pool Characteristics

The collateral securing the rated notes consists primarily of U.S. dollar-denominated loans and a small amount of bonds, leases, and synthetic securities. The collateral securing the notes may be issued by any non-sovereign issuer organized in the U.S. or in any non-U.S. country with a foreign issuer credit rating of 'AA' or higher.

Collateral obligations are subject to certain additional limits that are shown in table 2.

Table 2 Collateral Guidelines

Type of obligation	Limit (% of collateral pool)
Senior secured loans	90 min.
Synthetic securities, participations, and security-lending agreements	20 max.
Obligations issued by non-U.S. obligors	20 max.
Obligations that pay a periodic coupon less frequently than quarterly, or are PIK, zero-coupon, step-up, or split coupon securities	20 max.
Obligations that pay a periodic coupon less frequently than semiannually but not less frequently than annually	5 max.
Floating-rate obligations	90 min./95 max.
Revolving credit facilities and an unfunded amount of delayed funding loans	10 max.
Leases	5 max.
Discount obligations	8 max.
'CCC' rated obligations	5 max.
Bridge loans	5 max.
Maritime obligations	3 max.
DIP loans	5 max.

PIK—Payment-in-kind. DIP—Debtor-in-possession.

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Overcollateralization and Interest Coverage

The transaction benefits from certain structural features that require sequential mandatory redemption of the rated notes upon a breach of any overcollateralization test or interest coverage test (see table 3).

Table 3 Collateral Coverage Tests				
Class	**O/C expected on effective date (%)**	**Min. O/C required (%)**	**Interest coverage expected on effective date (%)**	**Min. interest coverage required (%)**
A	121.58	110.00	230.00	140.00
B	115.31	104.50	210.00	130.00
C	109.16	104.16	200.00	125.00
O/C—Overcollateralization.				

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Payment Priorities

Interest proceeds and principal proceeds from the collateral are payable pursuant to separate payment priorities.

Interest proceeds are payable in the order of priority outlined in table 4.

Table 4 Interest Waterfall	
Priority	**Payment**
1	Taxes.
2	Capped administrative expenses.
3	Capped issuer expenses.
4	Priority hedge counterparty payments.
5	Senior collateral management fee.
6	Class A-1 interest, then class A-2 interest pro rata.
7	Interest reserve account.
8	Class A coverage tests. If fail, pay down class A-1 and then class A-2 notes pro rata in an amount sufficient to satisfy tests.
9	Class B interest.
10	Interest reserve account.
11	Class B coverage tests. If fail, pay down class A-1, then A-2 pro rata, and then B notes in an amount sufficient to satisfy tests.
12	Class B deferred interest.
13	Pro rata, class C interest.
14	Class C coverage tests. If fail, pay down class A-1, then A-2 pro rata, then B, and then C notes in an amount sufficient to satisfy tests.
15	Pro rata, class C deferred interest.
16	Upon effective date confirmation failure, to reinvest.
17	Upon effective date downgrade, to pay down notes pro rata.
18	If class C par value test is less than 105.2%, to reinvest up to 50.0% of remaining proceeds to cure. After reinvestment period, pay down sequentially with 50.0% of the remaining proceeds to cure.
19	Subordinated hedge counterparty payments.

20	Unpaid administrative expenses.
21	Subordinated collateral management fee.
22	Incentive collateral management fee.
23	Interest reserve account.
24	Supplemental reserve account.
25	Preference shares.

Principal proceeds are payable in the order of priority outlined in table 5.

Table 5 Principal Waterfall	
Priority	**Payment**
1	Items 1-3 in interest waterfall.
2	Item 4 in interest waterfall.
3	Items 5-7 in interest waterfall.
4	Class A coverage tests. If fail, pay down class A-1 and then class A-2 notes pro rata in an amount sufficient to satisfy tests.
5	Class B interest.
6	Class B coverage tests. If fail, pay down class A-1 and then class A-2 notes pro rata in an amount sufficient to satisfy tests.
7	Class B deferred interest.
8	Pro rata, class C interest.
9	Class C coverage tests. If fail, pay down class A-1, then A-2 pro rata, then B, and then C notes pro rata in an amount sufficient to satisfy tests.
10	Pro rata, class C deferred interest.
11	Upon effective-date downgrade to pay down notes pro rata.
12	During reinvestment period, to reinvest.
13	After reinvestment period to pay down notes sequentially.
14	Subordinated hedge counterparty payments.
15	Unpaid administrative expenses.
16	Unpaid collateral manager expenses.
17	Preference shares.

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Interest Rate Risk

The cash flow analysis evaluated by Standard & Poor's used different interest rate stress scenarios to test the impact of different interest rate environments on the structure's ability to pay timely interest, or ultimate interest in the case of classes B and C, and ultimate principal on the rated notes. Standard & Poor's interest rate assumptions are based on historical interest rate levels and changes in these rates.

To offset potential disparities between assets and liabilities, on the closing date, the issuer will enter into an interest rate swap agreement and an interest rate cap agreement with

The Bank of New York. These agreements are structured with counterparty replacement requirements and restricted termination events pursuant to Standard & Poor's Global CDO Criteria.

Under the swap agreement, on the related payment date, the issuer will pay three-month LIBOR and receive a predetermined swap rate for the related interest period on the notional amount of the swap. The notional amount of the swap agreement will be $6 million for a period of nine years.

Under the cap agreement, the issuer will receive an amount equal to the excess of three-month LIBOR for the related interest period over the predetermined strike rate on the notional amount of the cap. The cap agreement will become effective in January 2010 and will have a predetermined strike rate. It will have a $12 million notional amount that will amortize over the deal's remaining life based on a set schedule.

The hedge agreements are structured with counterparty replacement requirements and restricted termination events in accordance with Standard & Poor's Global Criteria.

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Standard & Poor's CDO Evaluator, Benchmark Statistics, and Cash Flow Results

The CDO Evaluator is an integral part of Standard & Poor's methodology for rating and monitoring CDO transactions. Through a Monte Carlo simulation, the CDO Evaluator assesses the credit quality of a portfolio, taking into consideration the credit rating, size, and maturity of each asset, the correlation between each pair of assets, and the bi-variate emerging market risk, if any. The credit quality of the portfolio is presented in terms of a probability distribution for potential default rates. From this probability distribution, the CDO Evaluator derives a set of scenario default rates (SDRs), each of which identifies the minimum level of portfolio defaults each CDO tranche must withstand to support the requested rating level.

Standard & Poor's has developed a set of benchmark statistics to describe the key risk characteristics of the underlying portfolio of assets in a CDO transaction. After the effective date, these benchmark statistics describe the actual characteristics of the portfolio, including uninvested cash and defaulted securities. Prior to the effective date, the benchmark statistics are based on hypothetical fully ramped-up portfolio. The benchmark statistics are described below.

Weighted Average Maturity (WAM)

WAM is the average maturity of the assets in the portfolio weighted by the principal balance of each asset. For ABS,

WAM is assumed to be seven years.

Weighted Average Rating (WAR)

WAR is the average rating of the assets in the portfolio, weighted by the principal balance of each asset.

S&P Default Measure (DM)

DM describes the annualized weighted average portfolio default rate. DM is computed by taking the average default probability of the assets, weighted by the principal balance, and then annualized by finding the constant annual default rate that gives the weighted average default probability over the WAM of the portfolio. Unlike other measures of average default in use, DM encompasses all assets in the portfolio, including defaulted securities and cash, and it reflects the actual maturity of the assets.

S&P Variability Measure (VM)

VM describes the annualized standard deviation of portfolio default rates. VM is the degree of variability of the portfolio default rate around its expected value. VM incorporates the effects of relative lumpiness of the assets in the portfolio, and the correlation between these assets. It reflects the effective diversity of the portfolio in a manner directly applicable to estimating the probability of different default rates.

S&P Correlation Measure (CM)

CM is the ratio of the standard deviation of portfolio default rates computed with correlation, divided by the standard deviation computed assuming no correlation. It measures the effect of correlation on the standard deviation in default rates. For example, if CM equals 1.3, the standard deviation of default rates is 30% greater due to correlation.

Rated Overcollateralization (ROC)

ROC is a point-in-time measure of the capability of the portfolio to support a rated CDO tranche. It is expressed as the ratio of the amount of liabilities that can be supported at a given rating level, to the amount of liabilities outstanding at that rating level or higher. Unlike a standard overcollateralization ratio, ROC looks beyond the par amount of nondefaulted assets and potential recoveries on defaulted assets. ROC factors in the credit quality of the portfolio, assessing its ability to support a tranche at the SDR associated with its rating. ROC explicitly takes into consideration the additional support

that may be generated by excess coupon spread. By providing a meaningful measure of projected cash flows, ROC permits direct comparisons of rated liabilities across different transactions.

Interest Rate Scenarios

The cash flow analysis evaluated by Standard & Poor's uses different interest rate stress scenarios to test the impact of different interest rate environments on the structure's ability to pay timely interest and ultimate principal on the rated notes. Standard & Poor's interest rate assumptions are based on historical interest rate levels and changes in these rates. Specifically, Standard & Poor's subjected the transaction's cash flows to interest rate paths that increased over time, declined over time, declined and then increased, remained constant at the swap strike rate, and followed the forward curve.

Recovery Rates

Standard & Poor's assigned the recovery rate based on the type and seniority of the collateral, as shown in table 6.

Table 6 Recovery Rates

Asset type and seniority	(%)
Senior secured loans	55.0
Senior secured debt securities	47.5
Senior unsecured loans	37.5
Senior unsecured debt securities	34.0
Subordinated loans	21.5
Subordinated debt securities	21.5
Synthetic securities	*
Leases	*
DIP loans	*

*As assigned by Standard & Poor's on a case-by-case basis. DIP—Debtor-in-possession.

Cash Flow Stress Scenarios

The SDR for each rating category is applied (on an annual percentage basis) in conjunction with the interest rate stress scenarios and the respective recovery rates to test the structure's ability to withstand cumulative defaults and to pay timely interest, or ultimate interest in the case of classes B and C, and ultimate principal by the legal final maturity of the rated notes. The default rate for each rating category is distributed across the curves shown in table 7.

Table 7 Default Timing Patterns (%)

Year	Stress 1*	Stress 2*	Stress 3*	Stress 4*
1	15	40	20	25
2	30	20	20	25
3	30	20	20	25
4	15	10	20	25
5	10	10	20	N/A
*Applied in multiple iterations, starting in years 1-5, respectively. N/A-Not applicable.				

Cash Flow Results

Based on the projected composition of the portfolio, the underwriter's cash flow model is used to calculate a break-even default rate for each tranche. The break-even default rate represents the maximum cumulative portfolio default rate that a tranche can withstand, while subjected to Standard & Poor's cash flow stresses, and pay timely or ultimate interest and ultimate principal by the legal final maturity. The break-even default rate may change if the weighted average coupon or spread of the assets changes. The break-even default rate may also change over the life of the transaction if the par amount, weighted average life, or weighted average recovery rate of the portfolio changes.

As the portfolio composition changes over the life of the transaction, the SDRs for the rated tranches will also change. The CDO Evaluator generates the initial SDRs, while the CDO Monitor will generate the SDRs on an ongoing basis after the effective date.

For a tranche to pass Standard & Poor's cash flow runs, the break-even default rate must be higher than the SDR, indicating that the portfolio can withstand a higher percentage of defaults than what is required to satisfy that particular rating level. Based on the composition of the portfolio on the closing date, Standard & Poor's CDO Evaluator calculated the SDRs and the underwriter's cash flow model produced the break-even rates outlined in table 8.

Table 8 Scenario Default Rates and Break-Even Default Rates			
Class	**Rating**	**Scenario default rate (%)**	**Break-even default rate (%)**
A-1	AAA	37.00	42.5
A-2a	AA	32.10	37.5
A-2b	AA	32.10	37.5
B	A	28.67	33.5
C-1	BBB	24.49	27.5
C-2	BBB	24.49	27.5

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Collateral Manager

CSAM will act as collateral manager for this transaction. The Leveraged Investments group (LIG) of CSAM will have primary responsibility for asset purchases, asset sales, and monitoring of the CLO. LIG comprises 22 professionals, including credit analysts, portfolio managers, and operation staff. As of Sept. 30, 2003, LIG managed about $5.3 billion in CDO assets.

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Sale and Reinvestment of Collateral

Sale of Collateral

The collateral manager is permitted to sell any security under the following conditions:

- If the security is a defaulted obligation,
- If the security is an equity security,
- If the security is a credit-risk obligation,
- If the security is a credit-improved obligation, or
- If the security is an eligible investment.

The collateral manager is also allowed to sell securities that do not meet the conditions listed above; however, such discretion is limited to a set percentage on an annual basis.

Trading Restrictions

The collateral manager will be permitted under the transaction's reinvestment criteria to sell and/or purchase collateral debt securities, provided that certain conditions are satisfied. After the end of the ramp-up period, and after effecting a sale or purchase of a collateral debt security, the collateral coverage tests, collateral quality tests, and portfolio concentration limits are expected to be satisfied or, in some instances, maintained or improved. The collateral quality tests include the CDO Monitor test, the weighted average spread test, the weighted average maturity test, and the weighted average recovery rate test. The discretionary trading is limited to the reinvestment period, and up to 30% of the collateral par amount may be traded in the first year. In the subsequent years, up to 20% of the collateral par amount may be traded.

Further, the collateral manager has chosen to use Standard & Poor's CDO Monitor to actively assess the credit quality of the collateral portfolio after the effective date. The CDO Monitor takes into consideration certain portfolio characteristics, including the issuer credit rating, the maturity profile, the notional amount, and the obligor/industry concentration of the collateral debt securities. Standard & Poor's CDO Monitor test is passed if the result indicates that the current portfolio in the transaction has an SDR that is equal to or below the

current break-even default rate. If the test fails, the collateral manager must only make trades that maintain or improve the CDO Monitor's result.

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Redemption of the Notes

Optional Redemption

After a five-year noncall period, the notes may be redeemed by the issuer, in whole (including accrued interest, deferred interest, and administrative expenses), but not in part, at the direction of the holders of a majority of the preference shares.

Mandatory Redemption

The class A-1, A-2, B, C-1, and C-2 notes may be redeemed before their legal final maturity, in whole or in part, on any payment date if the class A, B, or C interest coverage tests or overcollateralization tests are not satisfied. The issuer will redeem the notes sequentially in order of seniority, using available interest and principal proceeds, until the tests are satisfied.

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Surveillance

Standard & Poor's will maintain active surveillance on the rated notes until they mature or are retired. The purpose of surveillance is to assess whether the rated notes are performing within the initial parameters and assumptions applied to each rating category. The issuer is required to supply periodic reports and notices to Standard & Poor's to maintain continuous surveillance on the rated notes.

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