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In order to be eligible to view this e-mail and/or access the Offering Circular or make an investment decision with respect to the securities described therein, you must either (i) be a "qualified purchaser" within the meaning of Section 3(c)(7) of the Investment Company Act of 1940, as amended who is also (1) a "Qualified Institutional Buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") or (2) in the case of the Preference Shares, an "accredited investor" within the meaning of Rule 501(a) under the Securities Act or (ii) not be a "U.S. person" within the meaning of Regulation S under the Securities Act.

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NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, RECIPIENTS OF THIS OFFERING CIRCULAR AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. HOWEVER, ANY SUCH INFORMATION RELATING TO THE TAX TREATMENT OR TAX STRUCTURE IS REQUIRED TO BE KEPT CONFIDENTIAL TO THE EXTENT NECESSARY TO COMPLY WITH ANY APPLICABLE FEDERAL OR STATE SECURITIES LAWS. FURTHERMORE, THIS AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PERMIT DISCLOSURE OF INFORMATION IDENTIFYING THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER OR ANY OTHER PARTY TO THE TRANSACTION, THIS OFFERING OR THE PRICING (EXCEPT TO THE EXTENT PRICING IS RELEVANT TO TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

U.S.\$190,000,000 Class A-1 First Priority Senior Floating Rate Notes Due 2039
U.S.\$44,000,000 Class A-2 Second Priority Senior Floating Rate Notes Due 2039
U.S.\$43,500,000 Class B Third Priority Senior Floating Rate Notes Due 2039
U.S.\$9,000,000 Class C Fourth Priority Mezzanine Floating Rate Notes Due 2039
10,250 Preference Shares (U.S.\$10,250,000 Aggregate Liquidation Preference)

Backed by a Portfolio of Asset-Backed Securities and Related Synthetic Securities

GLACIER FUNDING CDO I, LTD.

Glacier Funding CDO I, Inc.

Glacier Funding CDO I, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer") and Glacier Funding CDO I, Inc., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), will issue U.S.\$190,000,000 A-1 First Priority Senior Floating Rate Notes due March 10, 2039 (the "Class A-1 Notes"), U.S.\$44,000,000 Class A-2 Second Priority Senior Floating Rate Notes due March 10, 2039 (the "Class A-2 Notes" and, together with the Class A-1 Notes, "Class A Notes"), U.S.\$43,500,000 Class B Third Priority Senior Floating Rate Notes due March 10, 2039 (the "Class B Notes") and U.S.\$9,000,000 Class C Fourth Priority Mezzanine Floating Rate Notes due March 10, 2039 (the "Class C Notes"; the Class A Notes, the Class B Notes and the Class C Notes are referred to herein as the "Notes", each of the Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes is referred to herein as a "Class"). The Notes will be issued and secured pursuant to an Indenture dated as of March 10, 2004 (the "Indenture") among the Issuer, the Co-Issuer and JPMorgan Chase Bank, as trustee (the "Trustee"). Concurrently with the issuance of the Notes, the Issuer will issue 10,250 Preference Shares, par value U.S.0.01 each, having a liquidation preference of U.S.\$1,000 per share (the "Preference Shares" and, together with the Notes, the "Offered Securities") pursuant to its Memorandum and Articles of Association. The collateral securing the Notes will be managed by Terwin Money Management LLC, a Delaware limited liability company (in such capacity, the "Collateral Manager").

It is a condition to the issuance of the Offered Securities that the Class A Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), that the Class B Notes be rated no lower than "Aa2" by Moody's and no lower than "AA" by Standard & Poor's, that the Class C Notes be rated no lower than "Baa2" by Moody's and "BBB" by Standard & Poor's and that the Preference Shares will be no lower than "BB-" by Standard & Poor's. See "Ratings of the Offered Securities".

Application will be made to the Irish Stock Exchange (the "Irish Stock Exchange") for the Notes (other than the Class A-2 Notes) to be admitted to the Daily Official List. There can be no assurance that listing on the Irish Stock Exchange will be granted. No application will be made to list the Notes on any other stock exchange or to list the Class A-2 Notes or Preference Shares on any stock exchange. The listing of the Notes on the Irish stock Exchange is not a condition to issuance of the Notes.

SEE "RISK FACTORS" FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE OFFERED SECURITIES.

THE COLLATERAL SECURING THE NOTES IS THE SOLE SOURCE OF PAYMENTS ON THE OFFERED SECURITIES. THE OFFERED SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE COLLATERAL MANAGER, THE INITIAL PURCHASER OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE OFFERED SECURITIES BEING OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), UNDER APPLICABLE STATE SECURITIES LAWS OR UNDER THE LAWS OF ANY OTHER JURISDICTION. NONE OF THE ISSUER, THE CO-ISSUER AND THE POOL OF COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(c)(7) THEREOF. THE OFFERED SECURITIES ARE BEING OFFERED ONLY (A) IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (II) SOLELY IN THE CASE OF THE PREFERENCE SHARES, TO A LIMITED NUMBER OF "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT AND, IN EACH CASE, WHO ARE ALSO QUALIFIED PURCHASERS (AS DEFINED HEREIN) AND (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATIONS ("REGULATIONS") UNDER THE SECURITIES ACT TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATIONS). EACH ORIGINAL PURCHASER OF A NOTE WILL BE DEEMED TO MAKE, AND EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE BY ITS EXECUTION OF AN INVESTOR APPLICATION FORM (AN "INVESTOR APPLICATION FORM") WILL MAKE OR BE DEEMED TO MAKE, CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS, WARRANTIES AND CERTIFICATIONS. SEE "TRANSFER RESTRICTIONS".

The Offered Securities are offered through Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliates (in such capacity, together with such affiliates, the "Initial Purchaser"), subject to prior sale, when, as and if issued. Sales of the Offered Securities to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Initial Purchaser reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the Offered Securities will be delivered on or about March 10, 2004. It is a condition to the issuance of the Offered Securities that all Offered Securities be issued concurrently.

Merrill Lynch & Co.
Sole Manager

Dated March 8, 2004

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER, ANY HEDGE COUNTERPARTY, THE INITIAL PURCHASER OR THEIR RESPECTIVE AFFILIATES OR ANY OTHER PARTY TO THE TRANSACTIONS DESCRIBED HEREIN. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, (A) ANY SECURITIES OTHER THAN THE OFFERED SECURITIES OR (B) ANY OFFERED SECURITIES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFERING OF THE OFFERED SECURITIES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THIS OFFERING CIRCULAR COMES ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS. RESTRICTIONS ON THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFER AND SALE OF OFFERED SECURITIES, IN THE UNITED STATES OF AMERICA, THE UNITED KINGDOM AND THE CAYMAN ISLANDS ARE DESCRIBED UNDER "PLAN OF DISTRIBUTION". NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE OF ANY OFFERED SECURITY UNDER ANY CIRCUMSTANCE IMPLIES THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CO-ISSUERS SINCE THE DATE OF THIS OFFERING CIRCULAR OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE OF THIS OFFERING CIRCULAR. THE CO-ISSUERS AND THE INITIAL PURCHASER RESERVE THE RIGHT, FOR ANY REASON, (1) TO REJECT ANY OFFER TO PURCHASE IN WHOLE OR IN PART, (2) TO ALLOT TO ANY OFFEREE LESS THAN THE FULL AMOUNT OF OFFERED SECURITIES SOUGHT BY SUCH OFFEREE OR (3) TO SELL TO ANY INVESTOR LESS THAN THE MINIMUM DENOMINATION OF ANY CLASS OF NOTES OR THE MINIMUM NUMBER OF PREFERENCE SHARES.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, RECIPIENTS OF THIS OFFERING CIRCULAR AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. HOWEVER, ANY SUCH INFORMATION RELATING TO THE TAX TREATMENT OR TAX STRUCTURE IS REQUIRED TO BE KEPT CONFIDENTIAL TO THE EXTENT NECESSARY TO COMPLY WITH ANY APPLICABLE FEDERAL OR STATE SECURITIES LAWS. FURTHERMORE, THIS AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PERMIT DISCLOSURE OF INFORMATION IDENTIFYING THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER OR ANY OTHER PARTY TO THE TRANSACTION, THIS OFFERING OR THE PRICING (EXCEPT TO THE EXTENT PRICING IS RELEVANT TO TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

AN INVESTMENT IN THE OFFERED SECURITIES IS NOT SUITABLE FOR ALL INVESTORS AND IS APPROPRIATE ONLY FOR AN INVESTOR CAPABLE OF (A) ANALYZING AND ASSESSING THE RISKS ASSOCIATED WITH DEFAULTS, LOSSES AND RECOVERIES ON AND OTHER CHARACTERISTICS OF ASSETS SUCH AS THOSE INCLUDED IN THE COLLATERAL AND (B) BEARING SUCH RISKS AND THE FINANCIAL CONSEQUENCES THEREOF AS THEY RELATE TO AN INVESTMENT IN THE OFFERED SECURITIES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN OFFERED SECURITIES FOR AN INDEFINITE PERIOD OF TIME.

THE CONTENTS OF THIS OFFERING CIRCULAR ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISOR AND TAX ADVISOR AS TO LEGAL, BUSINESS AND TAX ADVICE. IT IS EXPECTED THAT PROSPECTIVE INVESTORS INTERESTED IN PARTICIPATING IN THIS

OFFERING ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE OFFERED SECURITIES.

THE OFFERED SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION, AND NONE OF THE FOREGOING AUTHORITIES HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Offering Circular has been prepared by the Co-Issuers solely for use in connection with the offering of the Offered Securities described herein (the "Offering") and for listing purposes. The Co-Issuers have taken all reasonable care to confirm that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts relating to the Co-Issuers or the Offered Securities, the omission of which makes this Offering Circular as a whole or any such information contained herein, in light of the circumstances under which it was made, misleading in any material respect. The Co-Issuers accept responsibility for the information contained in this document (other than the information relating to the Collateral Manager appearing in the section "The Collateral Manager"). To the best knowledge and belief of the Co-Issuers the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Co-Issuers disclaim any obligation to update such information and do not intend to do so. Neither the Initial Purchaser nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Neither the Initial Purchaser nor any of its affiliates has independently verified any such information or assumes any responsibility for its accuracy or completeness. Neither the Collateral Manager nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein other than the information appearing in the section "The Collateral Manager". None of the Hedge Counterparties nor any of their respective affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein. No other party to the transactions described herein makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein. Nothing contained in this Offering Circular is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Offering Circular and assumes no responsibility for its contents.

None of the Initial Purchaser, the Collateral Manager, any Hedge Counterparty, their respective affiliates and any other person party to the transactions described herein (other than the Co-Issuers) assumes any responsibility for the performance of any obligations of either of the Co-Issuers or any other person described in this Offering Circular (other than its own obligations under documents entered into by it) or for the due execution, validity or enforceability of the Offered Securities or for the value or validity of the Collateral.

This Offering Circular contains summaries of certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which will be made available to offerees upon request. Requests and inquiries regarding this Offering Circular or such documents should be directed to the Initial Purchaser at 4 World Financial Center, New York, NY 10080, Attention: Global Structured Products. Copies of such documents may also be obtained free of charge from NCB Stockbrokers Limited in its capacity as paying agent located in Dublin, Ireland (in such capacity, the "Irish Paying Agent", and together with the Preference Share Paying Agent and any paying agent appointed under the Indenture, the "Paying Agents" and each a "Paying Agent").

The Co-Issuers will make available to any offeree of the Offered Securities, prior to the issuance thereof, the opportunity to ask questions of and to receive answers from the Co-Issuers or a person acting on their behalf concerning the terms and conditions of the Offering, the Co-Issuers or any other relevant matters and to obtain any additional information to the extent the Co-Issuers possess such information or can obtain it without unreasonable expense. The information referred to in this paragraph will also be obtainable at the office of the Irish Paying Agent in Dublin, Ireland if and for so long as any Notes are listed on the Irish Stock Exchange.

Although the Initial Purchaser may from time to time make a market in Offered Securities, the Initial Purchaser is under no obligation to do so. In the event that the Initial Purchaser commences any market-making, the Initial Purchaser may discontinue the same at any time. There can be no assurance that a secondary market for any 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 such Offered Securities.

NONE OF THE CO-ISSUERS, THE COLLATERAL MANAGER, THE INITIAL PURCHASER AND THEIR RESPECTIVE AFFILIATES MAKES ANY REPRESENTATION TO ANY OFFEREE OR PURCHASER OF OFFERED SECURITIES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH OFFEREE OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS OR THE PROPER CLASSIFICATION OF SUCH AN INVESTMENT THEREUNDER.

In this Offering Circular, (a) all references to "U.S. Dollars", "Dollars" and "U.S.\$" are to United States dollars, (b) all references to "euro" are references to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty of Rome of March 25, 1957, as amended from time to time and (c) all references to "Sterling" are to the lawful currency of the United Kingdom.

NOTICE TO CONNECTICUT RESIDENTS

THE OFFERED SECURITIES HAVE NOT BEEN REGISTERED UNDER THE CONNECTICUT SECURITIES LAW. THE OFFERED SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND SALE.

NOTICE TO FLORIDA RESIDENTS

THE OFFERED SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 517.061 OF THE FLORIDA SECURITIES ACT (THE "FLORIDA ACT") AND HAVE NOT BEEN REGISTERED UNDER THE FLORIDA ACT IN THE STATE OF FLORIDA. FLORIDA RESIDENTS WHO ARE NOT INSTITUTIONAL INVESTORS DESCRIBED IN SECTION 517.061(7) OF THE FLORIDA ACT HAVE THE RIGHT TO VOID THEIR PURCHASES OF THE OFFERED SECURITIES WITHOUT PENALTY WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION.

NOTICE TO GEORGIA RESIDENTS

THE OFFERED SECURITIES HAVE BEEN ISSUED OR SOLD IN RELIANCE ON PARAGRAPH (13) OF CODE SECTION 10-5-9 OF THE GEORGIA SECURITIES ACT OF 1973, AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACT.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF AUSTRIA

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS UNDER THE AUSTRIAN CAPITAL MARKETS ACT OR THE AUSTRIAN INVESTMENT FUNDS ACT. THIS OFFERING CIRCULAR HAS NOT BEEN EXAMINED BY A PROSPECTUS AUDITOR AND NO PROSPECTUS ON THE PRIVATE PLACEMENT OF THE OFFERED SECURITIES HAS BEEN PUBLISHED OR WILL BE PUBLISHED IN AUSTRIA. THE OFFERED SECURITIES ARE OFFERED IN AUSTRIA ONLY TO A RESTRICTED AND SELECTED NUMBER OF PROFESSIONAL AND SOPHISTICATED INDIVIDUAL INVESTORS, AND NO PUBLIC OFFERING OF THE OFFERED SECURITIES IN AUSTRIA IS BEING MADE OR IS INTENDED TO BE MADE. THE OFFERED SECURITIES CAN ONLY BE ACQUIRED FOR A COMMITMENT EXCEEDING ATS600,000 OR ITS EQUIVALENT VALUE IN ANY FOREIGN CURRENCY. THE INTERESTS ISSUED BY THE CO-ISSUERS ARE NOT OFFERED IN AUSTRIA, AND THE CO-ISSUERS ARE NOT AND WILL NOT BE REGISTERED AS A FOREIGN INVESTMENT FUND IN AUSTRIA.

NOTICE TO RESIDENTS OF BELGIUM

THE OFFERED SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED IN OR FROM BELGIUM AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, OTHER THAN TO PERSONS OR ENTITIES MENTIONED IN ARTICLE 3 OF THE ROYAL DECREE OF JANUARY 9, 1991 RELATING TO THE PUBLIC CHARACTERISTIC OF OPERATIONS CALLING FOR SAVINGS AND ON THE ASSIMILATION OF CERTAIN OPERATIONS TO A PUBLIC OFFER (BELGIAN OFFICIAL JOURNAL OF JANUARY 12, 1991). THEREFORE, THE OFFERED SECURITIES ARE EXCLUSIVELY DESIGNED FOR CREDIT INSTITUTIONS, STOCK

EXCHANGE COMPANIES, COLLECTIVE INVESTMENT FUNDS, COMPANIES OR INSTITUTIONS, INSURANCE COMPANIES AND/OR PENSION FUNDS ACTING FOR THEIR OWN ACCOUNT ONLY.

NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

THE OFFERED SECURITIES MAY NOT BE OFFERED TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS PURSUANT TO S. 194 OF THE COMPANIES LAW (2003 REVISION) OF THE CAYMAN ISLANDS.

NOTICE TO RESIDENTS OF DENMARK

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER HAS AGREED THAT IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER, SELL OR DELIVER ANY OFFERED SECURITIES IN THE KINGDOM OF DENMARK, DIRECTLY OR INDIRECTLY, BY WAY OF PUBLIC OFFER, UNLESS SUCH OFFER, SALE OR DELIVERY IS, OR WAS, IN COMPLIANCE WITH THE DANISH ACT NO. 1072 OF DECEMBER, 20, 1995 ON SECURITIES TRADING, CHAPTER 12 ON PROSPECTUSES ON FIRST PUBLIC OFFER OF CERTAIN EXECUTIVE SECURITIES AND ANY EXECUTIVE ORDERS ISSUED IN PURSUANCE THEREOF.

NOTICE TO RESIDENTS OF FINLAND

THIS OFFERING CIRCULAR HAS BEEN PREPARED FOR PRIVATE INFORMATION PURPOSES OF INTERESTED INVESTORS ONLY. IT MAY NOT BE USED FOR AND SHALL NOT BE DEEMED A PUBLIC OFFERING OF THE OFFERED SECURITIES. THE RAHOITUSTARKASTUS HAS NOT AUTHORIZED ANY OFFERING OF THE SUBSCRIPTION OF THE OFFERED SECURITIES; ACCORDINGLY, THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD IN FINLAND OR TO RESIDENTS THEREOF EXCEPT AS PERMITTED BY FINNISH LAW. THIS OFFERING CIRCULAR IS STRICTLY FOR PRIVATE USE BY ITS HOLDER AND MAY NOT BE PASSED ON TO THIRD PARTIES.

NOTICE TO RESIDENTS OF FRANCE

THE OFFERED SECURITIES ARE *ORGANISMES DE PLACEMENTS COLLECTIFS EN VALEURS MOBILIÈRES* ISSUED BY A RESIDENT OF A NON-EC STATE. ACCORDINGLY, PURSUANT TO THE PROVISIONS OF DECREE NO. 89-624 OF 6 SEPTEMBER 1989, THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN FRANCE WITHOUT THE PRIOR APPROVAL OF THE FRENCH MINISTRY OF FINANCE.

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER REPRESENTS AND AGREES THAT IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL, DIRECTLY OR INDIRECTLY, ANY OF THE OFFERED SECURITIES BY WAY OF A PUBLIC OFFERING IN FRANCE (AN *APPEL PUBLIC À L'ÉPARGNE*, AS DEFINED IN ARTICLE 61 OF *ORDONNANCE* NO. 67-883 OF 28 SEPTEMBER 1967, AS AMENDED BY LAW NO. 98 - 546 OF 2 JULY 1998).

NOTICE TO RESIDENTS OF GERMANY

THE OFFERED SECURITIES MAY NOT BE OFFERED TO THE PUBLIC IN GERMANY, EXCEPT AS IN ACCORDANCE WITH ALL APPLICABLE PROVISIONS OF GERMAN LAW RELATING TO ANY SUCH OFFERINGS. NO GERMAN SELLING PROSPECTUS HAS BEEN PREPARED OR PUBLISHED IN CONNECTION WITH THE ISSUE AND OFFERING OF THE OFFERED SECURITIES.

NOTICE TO RESIDENTS OF THE NETHERLANDS

THE OFFERED SECURITIES HAVE NOT, DIRECTLY OR INDIRECTLY, BEEN OFFERED, SOLD, TRANSFERRED OR DELIVERED AND WILL NOT, DIRECTLY OR INDIRECTLY, BE OFFERED, SOLD, TRANSFERRED OR DELIVERED (INCLUDING RIGHTS REPRESENTING AN INTEREST IN A GLOBAL CERTIFICATE) IN DENOMINATIONS LESS THAN €50,000 OR US\$50,000 (OR THE EQUIVALENT THEREOF IN OTHER CURRENCIES) TO ANYONE ANYWHERE IN THE WORLD OTHER THAN TO BANKS, INVESTMENT BANKS, PENSION FUNDS, INSURANCE COMPANIES, SECURITIES FIRMS, INVESTMENT INSTITUTIONS, CENTRAL GOVERNMENTS, LARGE INTERNATIONAL AND SUPRANATIONAL ORGANIZATIONS, TREASURIES AND FINANCE COMPANIES OF LARGE ENTERPRISES AND OTHER ENTITIES WHICH TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A BUSINESS OR PROFESSION.

NOTICE TO RESIDENTS OF SWITZERLAND

THE CO-ISSUERS HAVE NOT BEEN AUTHORIZED BY THE SWISS FEDERAL BANKING COMMISSION AS A FOREIGN INVESTMENT FUND UNDER ARTICLE 45 OF THE SWISS FEDERAL LAW ON INVESTMENT FUNDS OF 18 MARCH 1994. ACCORDINGLY, THE OFFERED SECURITIES MAY NOT BE OFFERED OR DISTRIBUTED ON A PROFESSIONAL BASIS IN OR FROM SWITZERLAND, AND NEITHER THIS OFFERING CIRCULAR NOR ANY OTHER OFFERING MATERIALS RELATING TO THE OFFERED SECURITIES MAY BE DISTRIBUTED IN CONNECTION WITH ANY SUCH OFFERING OR DISTRIBUTION. THE OFFERED SECURITIES MAY, HOWEVER, BE OFFERED AND THIS OFFERING CIRCULAR MAY BE DISTRIBUTED IN SWITZERLAND ON A PROFESSIONAL BASIS TO A LIMITED NUMBER OF PROFESSIONAL INVESTORS IN CIRCUMSTANCES SUCH THAT THERE IS NO PUBLIC OFFER.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD AND, PRIOR TO THE EXPIRY OF THE PERIOD OF SIX MONTHS FROM THE CLOSING DATE, WILL NOT BE OFFERED OR SOLD TO PERSONS IN THE UNITED KINGDOM EXCEPT TO PERSONS WHOSE ORDINARY ACTIVITIES INVOLVE THEM IN ACQUIRING, HOLDING, MANAGING OR DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSE OF THEIR BUSINESS OR OTHERWISE IN CIRCUMSTANCES THAT HAVE NOT RESULTED AND WILL NOT RESULT IN AN OFFER TO THE PUBLIC IN THE UNITED KINGDOM WITHIN THE MEANING OF THE PUBLIC OFFERS OF SECURITIES REGULATIONS 1995. THIS OFFERING CIRCULAR AND ANY OTHER DOCUMENT IN CONNECTION WITH THE OFFERING AND ISSUANCE OF THE OFFERED SECURITIES MAY ONLY BE ISSUED OR PASSED ON TO A PERSON OF A KIND DESCRIBED IN ARTICLE 49(2) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2001 OR IS A PERSON TO WHOM THIS OFFERING CIRCULAR OR ANY OTHER SUCH DOCUMENT MAY OTHERWISE LAWFULLY BE ISSUED OR PASSED ON (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). ANY INVESTMENT OR INVESTMENT ACTIVITY TO

WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act ("Rule 144A") in connection with the sale of the Offered Securities, each of the Co-Issuers (or the Issuer, in the case of the Preference Shares) will be required to furnish, upon request of a holder of an Offered Security, to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request such Co-Issuer is not a reporting company under Section 13 or 15(d) of the Offered Securities Exchange Act of 1934, as amended (the "Exchange Act"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Such information may be obtained from (a) in the case of the Notes, the Trustee or, if and for so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent located in Ireland, or (b) in the case of the Preference Shares, the Preference Share Paying Agent. It is not contemplated that either of the Co-Issuers will be such a reporting company or so exempt.

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SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Circular. An index of defined terms used herein appears at the back of this Offering Circular.

Certain General Terms

<i>Issuer:</i>	Glacier Funding CDO I, Ltd.
<i>Co-Issuer (with respect to the Notes only):</i>	Glacier Funding CDO I, Inc.
<i>Collateral Manager:</i>	Terwin Money Management LLC
<i>Initial Purchaser:</i>	Merrill Lynch, Pierce, Fenner & Smith Incorporated acting in its individual capacity and through its affiliates. Sales of the Offered Securities to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated.
<i>Trustee/Custodian/Preference Share Paying Agent:</i>	JPMorgan Chase Bank
<i>Closing Date:</i>	March 10, 2004
<i>Ramp-Up Completion Date:</i>	The date that is the earlier of (a) 60 days following the Closing Date and (b) the first day on which the aggregate par amount of the Collateral Debt Securities held by the Issuer, together with the aggregate amount of unpaid interest accrued thereon prior to the respective dates of purchase thereof, is at least equal to U.S.\$300,000,000.
<i>Distribution Dates:</i>	March 10, June 10, September 10 and December 10 of each calendar year (adjusted as described herein in the case of non-Business Days), commencing on June 10, 2004. Notwithstanding the foregoing, the Issuer will enter into the Basis Swap (as defined herein) in order to finance the periodic payments of interest on the Class A-2 Notes on dates other than on each Distribution Date, all as described in a supplement to this Offering Circular relating to the Class A-2 Notes (the "Class A-2 Notes Supplement").
<i>Expected Proceeds:</i>	<p>The gross proceeds from the issuance of the Offered Securities will be approximately U.S.\$296,750,000.</p> <p>The net proceeds from the issuance of the Offered Securities, together with any up-front payments received from the initial Hedge Counterparties on the Closing Date in connection with the initial Hedge Agreements, will be approximately U.S.\$296,600,000 after payment of organizational and structuring fees and expenses of the Co-Issuers, including, without limitation (i) the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities included in the Portfolio, (iii) the expenses of</p>

offering the Offered Securities (including placement agency fees and structuring fees) and (iv) the initial deposits into the Expense Account and the Interest Reserve Account.

Use of Proceeds:

Net proceeds will be used by the Issuer to purchase on the Closing Date a diversified portfolio of Asset-Backed Securities and Synthetic Securities the Reference Obligations of which are Asset-Backed Securities that, in each case, satisfy the investment criteria set forth in the Indenture and described herein.

General Terms of the Notes

Security	Principal Amount	Stated Maturity Date	Interest Rate ¹	Ratings (Moody's/S&P)
Class A-1 First Priority Senior Floating Rate Notes	U.S.\$190,000,000	March 10, 2039	LIBOR + 0.41%	Aaa/AAA
Class A-2 Second Priority Senior Floating Rate Notes	U.S.\$44,000,000	March 10, 2039	LIBOR + 1.2% ²	Aaa/AAA
Class B Third Priority Senior Floating Rate Notes	U.S.\$43,500,000	March 10, 2039	LIBOR + 1.2%	Aa2/AA
Class C Fourth Priority Mezzanine Floating Rate Notes	U.S.\$9,000,000	March 10, 2039	LIBOR + 3.3% ³	Baa2/BBB

Minimum Denomination:

In the case of (i) the Class A-1 Notes, the Class B Notes and the Class C Notes, U.S.\$1,000,000 (and integral multiples of U.S.\$1,000 in excess thereof) and (ii) in the case of the Class A-2 Notes, U.S.\$100,000 (and integral multiples of U.S.\$25,000 in excess thereof).

Seniority:

First, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes and, *fourth*, Class C Notes, *provided* that in certain circumstances, Interest Proceeds may be applied in accordance with the Priority of Payments to pay principal of the Class C Notes prior to paying principal of the Class A Notes and Class B Notes.

Security for the Notes:

The Notes will be limited recourse debt obligations of the Co-Issuers secured solely by a pledge of the Collateral by the Issuer to the Trustee for the benefit of the holders from time to time of the Notes, the Collateral Manager, the Trustee and each Hedge Counterparty (collectively, the "Secured Parties") pursuant to the Indenture.

¹ LIBOR is three-month LIBOR calculated as described herein and computed on the basis of a year of 360 days and actual number of days elapsed.

² Maximum rate representing the sum of (a) interest which holders of the Class A-2 Notes are entitled to receive and (b) compensation which certain third parties will be entitled to receive from the Issuer for services in relation to the Class A-2 Notes.

³ So long as any Class of Notes that is Senior remains outstanding, any interest on the Class C Notes not paid when due will be deferred and capitalized.

Interest Payments: Accrued and unpaid interest will be payable on each Distribution Date if and to the extent funds are available on such Distribution Date in accordance with the Priority of Payments. Notwithstanding the foregoing, the Issuer will enter into the Basis Swap in order to finance the periodic payment of interest on the Class A-2 Notes on dates other than on each Distribution Date, all as described in the Class A-2 Notes Supplement.

Principal Repayment: Principal Proceeds will be applied on each Distribution Date to pay principal of each Class of Notes in accordance with the Priority of Payments.

Mandatory Redemption: Each Class of Notes shall, on any Distribution Date, be subject to mandatory redemption in the event that any Coverage Test applicable to any Class of Notes is not satisfied on the related Determination Date. Any such redemption will be effected from Interest Proceeds, *first*, to pay principal of each Class of Notes that is Senior to the Class to which the relevant Coverage Test applies, in order of seniority, *then* to pay principal of such Class of Notes to the extent necessary to cause each applicable Coverage Test to be satisfied. Any such redemption will be effected as described below under "—Priority of Payments".

In addition, if the Issuer is unable to obtain a Rating Confirmation prior to the first Distribution Date, *first*, Interest Proceeds, *then*, (to the extent that the application of Interest Proceeds is insufficient) Principal Proceeds, will be applied on the first Distribution Date to pay principal of each Class of Notes, in order of seniority, to the extent necessary to obtain a Rating Confirmation.

If, on any Distribution Date, until the Class C Notes have been paid in full, the holders of the Preference Shares ("Preference Shareholders") have received distributions on the Preference Shares sufficient to achieve an annualized Dividend Yield of 12% per annum, any excess amount of Interest Proceeds will be applied to pay principal of the Class C Notes.

Early Redemption: The Notes will be subject to early redemption in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption, each as described under "Description of the Notes—Early Redemption" in accordance with the procedures, and subject to the satisfaction of the conditions, described under "Description of the Notes—Redemption Procedures".

Listing: Application will be made to the Irish Stock Exchange for the Notes (other than the Class A-2 Notes) to be admitted to the Daily Official List. The issuance and settlement of the Notes on the Closing Date are not conditioned on the listing of such Notes on such exchange. No application will be made to list the Class A-2 Notes on any stock exchange.

General Terms of the Preference Shares

<i>Aggregate Liquidation Preference:</i>	U.S.\$10,250,000 (U.S.\$1,000 per share).
<i>Rating:</i>	No lower than "BB-" by Standard and Poor's.
<i>Minimum Trading Lot:</i>	250 Preference Shares (U.S.\$250,000 aggregate liquidation preference) (and increments of 1 Preference Share in excess thereof), subject to certain limited exceptions as described herein under "Form, Denomination, Registration and Transfer".
<i>Status:</i>	The Preference Shares will constitute part of the issued share capital of the Issuer and will not be secured.
<i>Distributions:</i>	On each Distribution Date, to the extent funds are available therefor, Interest Proceeds remaining after the payment of interest on the Notes and certain other amounts in accordance with the Priority of Payments will be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders, <i>provided</i> that on each Distribution Date, until the Class C Notes have been paid in full, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders will be limited to the amount necessary to permit the Preference Shareholders to achieve on such Distribution Date an annualized Dividend Yield of 12% per annum on the aggregate liquidation preference of the Preference Shares. After the Notes have been paid in full, Principal Proceeds remaining after the payment of certain other amounts will be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders. The Preference Share Paying Agent will distribute any funds received by it for distribution to the Preference Shareholders on the date on which such funds are received, subject to certain conditions set forth in the Preference Share Agency Agreement and provisions of Cayman Islands law governing the declaration and payment of dividends.
<i>Redemption of the Preference Shares:</i>	The Preference Shares are expected to be redeemed following the Stated Maturity of the Notes unless redeemed prior thereto in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption. Following the liquidation of the Collateral, any funds remaining after the redemption of the Notes and the payment of all other obligations of the Co-Issuers (other than amounts payable by the Issuer in respect of the Preference Shares) will be distributed to the Preference Shareholders and the Preference Shares will be redeemed.
<i>No Listing:</i>	No application will be made to list the Preference Shares on any stock exchange.

Description of the Collateral

General:

The Notes (together with the Issuer's obligations to the Secured Parties other than the Noteholders) will be secured by (i) the Custodial Account and all Collateral Debt Securities and Equity Securities credited thereto, (ii) the Payment Account, the Collection Accounts, the Expense Account, the Interest Reserve Account, the Uninvested Proceeds Account, each Hedge Counterparty Collateral Account and each Synthetic Security Issuer Account, all amounts credited to such accounts, and all Eligible Investments purchased with funds credited to such accounts, (iii) the rights of the Issuer under each Hedge Agreement, (iv) the Issuer's right to any income from the investment of funds in any Synthetic Security Counterparty Account, (v) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Purchase Agreement, the Administration Agreement, the Administrative Agency Agreement and the Investor Application Forms, (vi) all cash delivered to the Trustee by or on behalf of the Issuer and (vii) all proceeds of the foregoing (collectively, the "Collateral").

Acquisition and Disposition of Collateral Debt Securities:

It is anticipated that, on the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate principal balance of not less than U.S.\$265,000,000. It is anticipated that, no later than the Ramp-Up Completion Date, the Issuer will have purchased additional Collateral Debt Securities having an aggregate principal balance, together with the aggregate principal balance of Collateral Debt Securities purchased by the Issuer on the Closing Date and the aggregate amount of unpaid interest accrued thereon prior to the respective dates of purchase thereof, of not less than U.S.\$300,000,000. The Issuer is required to satisfy the Portfolio Percentage Limitations, the Coverage Tests, the Collateral Quality Tests and the Standard & Poor's CDO Monitor Test as of the Ramp-Up Completion Date.

All Collateral Debt Securities purchased by the Issuer will, on the date of purchase, be required to satisfy the criteria set forth in the Indenture and herein under "Security for the Notes—Collateral Debt Securities" and "Security for the Notes—Eligibility Criteria".

The Collateral Manager will not be entitled to direct the Trustee to sell Collateral Debt Securities, except in the limited circumstances in the Indenture and described herein under "Disposition of Collateral Debt Securities". Uninvested Proceeds will be applied after the Closing Date to purchase additional Collateral Debt Securities. No investment in additional Collateral Debt Securities will be made after the Ramp-Up Completion Date.

RISK FACTORS

An investment in the Offered Securities involves certain risks. Prospective investors should carefully consider the following factors, in addition to the matters set forth elsewhere in this Offering Circular, prior to investing in the Offered Securities.

Limited Liquidity. There is currently no market for the Offered Securities. Although the Initial Purchaser may from time to time make a market in Offered Securities, the Initial Purchaser is under no obligation to do so. In the event that the Initial Purchaser 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 certain transfer restrictions and can only be transferred to certain transferees as described under "Transfer Restrictions". Consequently, an investor in the Offered Securities must be prepared to hold its Offered Securities for an indefinite period of time or until the Stated Maturity of the Notes (or in the case of the Preference Shares, the liquidation of the Issuer).

Limited-Recourse Obligations. The Notes are limited-recourse obligations of the Co-Issuers. The Notes are payable solely from the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, the Administrator, any Rating Agency, the Share Trustee, the Collateral Manager, the Initial Purchaser, any of their respective affiliates and any other person or entity will be obligated to make payments on the Notes. Consequently, holders of the Notes ("Noteholders") must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Notes for the payment of principal thereof and interest thereon. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Notes will be sufficient to make payments on any Class of Notes, in particular after making payments on more Senior Classes of Notes and certain other required amounts ranking Senior to such Class. The Issuer's ability to make payments in respect of any Class of Notes will be constrained by the terms of the Notes of Classes more Senior to such Class and the Indenture. If distributions 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 Collateral, the obligations of the Co-Issuers to pay such deficiencies will be extinguished and will not thereafter revive. The Preference Shares will be part of the issued share capital of the Issuer and will not be secured.

Subordination of Each Class of Subordinate Notes. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except as otherwise described in, and subject to, the Priority of Payments, no payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments". If an Event of Default occurs, so long as any Notes are outstanding, the holders of the most Senior Class of Notes then outstanding will be entitled to determine the remedies to be exercised under the Indenture. So long as any Class A Notes or Class B Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class C Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred. In the event of any realization on the Collateral, proceeds will be allocated to the Notes and other amounts in accordance with the Priority of Payments prior to any distribution to the Preference Shareholders. See "Description of the Notes—The Indenture" and "—Priority of Payments". Remedies pursued by the holders of the Class or Classes of Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of the other Classes of Notes. To the extent that any losses are suffered by any of the holders of any Offered Securities, such losses will be borne, *first*, by the holders of the Preference Shares, *second*, by the holders of the Class C Notes, *third*, by the holders of the Class B Notes, *fourth*, by the holders of the Class A-2 Notes and *fifth*, by the holders of the Class A-1 Notes.

Payments in Respect of the Preference Shares. The Issuer, pursuant to the Indenture, has pledged substantially all of its assets to secure the Notes and certain other obligations of the Issuer. The proceeds of such 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. There can be no assurance that, after payment of principal of and interest on the Notes and other fees and expenses of the Co-Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make distributions in respect of the Preference Shares. See "Description of the Notes—Priority of Payments". Cayman Islands law provides that dividends may only be paid by the Issuer if the Issuer has funds lawfully available for such purpose. Dividends may be paid out of profit and out of the Issuer's share premium account (which includes subscription monies in excess of the par value of each share) *provided* that the Issuer is solvent. As a matter of Cayman Islands law, a company is generally deemed to be solvent if it can pay its debts as they fall due.

Diversion of Interest Proceeds Otherwise Distributable to Preference Shareholders. On each Distribution Date, until the Class C Notes have been paid in full, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders will be limited to the amount necessary to permit the Preference Shareholders to achieve on such Distribution Date an annualized Dividend Yield of 12% per annum on the aggregate liquidation preference of the Preference Shares. This may result in a reduction in the average annual return on the Preference Shares until the redemption thereof. See "Description of the Notes—Priority of Payments—Interest Proceeds".

Yield Considerations. The yield to each holder of the Preference Shares will be a function of the purchase price paid by such holder for the Preference Shares and the timing and amount of dividends and other distributions made in respect of the Preference Shares during the term of the transaction. Each prospective purchaser of the Preference Shares should make its own evaluation of the yield that it expects to receive on the Preference Shares. Prospective investors should be aware that the timing and amount of dividends and other distributions will be affected by, among other things, the performance of the Collateral Debt Securities. Each prospective investor should consider the risk that an Event of Default will result in a lower yield on the Preference Shares than that anticipated by the investor. In addition, if the Issuer fails any of the Coverage Tests, amounts that would otherwise be distributed as dividends to the holders of the Preference Shares on any Distribution Date may be paid to other investors in accordance with the Priority of Payments. Each prospective purchaser should consider that any such adverse developments could result in its failure to recover fully its initial investment in the Preference Shares.

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 Debt Securities, which themselves are subject to credit, liquidity, interest rate and other risks. Utilization of leverage is a speculative investment technique and involves certain risks to investors. 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. The use of leverage generally magnifies the Issuer's opportunities for gain and risk of loss.

Nature of Collateral. The Collateral is subject to credit, liquidity and interest rate risk. In addition, a significant portion of the Collateral Debt Securities included in the Collateral will be acquired by the Issuer after the Closing Date, and, accordingly, the financial performance of the Issuer may be affected by the price and availability of Collateral Debt Securities to be purchased. The amount and nature of the Collateral Debt Securities included in the Collateral have been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Debt Securities. If any deficiencies exceed such assumed levels, however, payment in respect of the Offered Securities could be adversely affected. To the extent that a default occurs with respect to any Collateral Debt Security included in the Collateral and the Issuer sells or otherwise disposes of such Collateral Debt Security, it is not likely that the proceeds of such sale or disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Debt Security.

The market value of the Collateral Debt Securities included in the Collateral generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of such Collateral Debt Securities or,

with respect to Synthetic Securities included in the Collateral, of the obligors on or issuers of the Reference Obligations, 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.

Although the Issuer is required to use its best efforts to invest Uninvested Proceeds in Collateral Debt Securities after the Closing Date, the Issuer may find that, as a practical matter, these investment opportunities are not available to it for a variety of reasons, including the limitations imposed by the Eligibility Criteria and the requirement with respect to Synthetic Securities that the Issuer receive confirmation of the ratings of the Notes from each of the Rating Agencies with respect to the purchase thereof. At any time there may be a limited universe of investments that would satisfy the Eligibility Criteria given the other investments in the Issuer's portfolio. As a result, the Issuer may at times find it difficult to purchase suitable investments. See "Security for the Notes—Collateral Debt Securities" and "—Eligibility Criteria". Although the Issuer expects that, on or prior to the 60th day following the Closing Date, it will be able to purchase sufficient Collateral Debt Securities that satisfy the Portfolio Percentage Limitations, the Collateral Quality Tests, the Standard & Poor's CDO Monitor Test and Coverage Tests described herein, there is no assurance that such limitations and tests will be satisfied on such date. Failure to satisfy such tests by such date may result in the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. See "Description of the Notes—Mandatory Redemption".

The Issuer is not permitted to sell Collateral Debt Securities except in certain limited circumstances described under "Security for the Notes--Dispositions of Collateral Debt Securities".

Asset-Backed Securities. Most of the Collateral Debt Securities acquired by the Issuer will consist of Asset-Backed Securities. "Asset-Backed Securities" are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from (a) a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities or (b) real estate mortgages, either fixed or revolving, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. Asset-Backed Securities backed by real estate mortgages do not entitle the holders thereof to share in the appreciation in value of or in the profits generated by the related real estate assets.

Asset-Backed Securities include but are not limited to securities for which the underlying collateral consists of assets such as credit card receivables, home equity loans, leases, residential mortgage loans, commercial mortgage loans, auto finance receivables and other debt obligations. Issuers of Asset-Backed Securities are primarily banks and finance companies, captive finance subsidiaries of non-financial corporations or specialized originators such as credit card lenders.

An Asset-Backed Security is typically created by the sale of assets or collateral to a conduit, which becomes the legal issuer of the Asset-Backed Securities. The securitization conduit or issuer is generally a bankruptcy-remote vehicle such as a grantor trust or other special-purpose entity. Interests in or other securities issued by the trust or special-purpose entity, which give the holder thereof the right to certain cash flows arising from the underlying assets, are then sold to investors through an investment bank or other securities underwriter. Each Asset-Backed Security has a servicer (often the originator of the collateral) that is responsible for collecting the cash flows generated by the securitized assets—principal, interest and fees net of losses and any servicing costs as well as other expenses—and for passing them along to the investors in accordance with the terms of the securities. The servicer processes the payments and administers the assets in the pool. In addition, a credit-rating agency often will analyze the policies and operations of the originator and servicer, as well as the structure, underlying pool of assets, expected cash flows and other attributes of the securities. Before assigning a rating to the issue, the rating agency will also assess the extent of loss protection provided to investors by the credit enhancements associated with the issue.

Asset-Backed Securities carry coupons that can be fixed or floating. Pricing is typically designed to mirror the coupon characteristics of the loans being securitized. The spread will vary depending on the credit

quality of the underlying collateral, the degree and nature of credit enhancement and the degree of variability in the cash flows emanating from the securitized loans.

The structure of an Asset-Backed Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all Asset-Backed Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in such Asset-Backed Securities, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such Asset-Backed Securities.

Securities backed by closed-end installment loans are typically the least complex form of asset-backed instruments. Collateral for these Asset-Backed Securities typically includes leases, student loans and automobile loans. The loans that form the pool of collateral for the Asset-Backed Securities may have varying contractual maturities and may or may not represent a heterogeneous pool of borrowers. Unlike a mortgage pass-through instrument, the trustee does not need to take physical possession of any account documents to perfect a security interest in the receivables under the Uniform Commercial Code. The repayment stream on installment loans is fairly predictable, since it is primarily determined by a contractual amortization schedule. Early repayment on these instruments can occur for a number of reasons, with most tied to the disposition of the underlying collateral (for example, in the case of Asset-Backed Securities backed by automobile loans, the sale of the vehicles). Interest is typically passed through to security holders at a fixed rate that is slightly below the weighted average coupon of the loan pool, allowing for servicing and other expenses as well as credit losses.

Unlike closed-end installment loans, revolving credit receivables involve greater uncertainty about future cash flows. Therefore, Asset-Backed Securities structures using this type of collateral must be more complex to afford investors more comfort in predicting their repayment. Accounts included in the securitization pool may have balances that grow or decline over the life of the Asset-Backed Securities. Accordingly, at maturity of the Asset-Backed Securities, any remaining balances revert to the originator. During the term of the Asset-Backed Securities, the originator may be required to sell additional accounts to the pool to maintain a minimum dollar amount of collateral if accountholders pay down their balances in advance of predetermined rates. Credit card securitizations are the most prevalent form of revolving credit Asset-Backed Securities, although home equity lines of credit are a growing source of Asset-Backed Securities collateral. Credit card securitizations are typically structured to incorporate two phases in the life cycle of the collateral: an initial phase during which the principal amount of the securities remains constant and an amortization phase during which investors are paid off. A specific period of time is assigned to each phase. Typically, a specific pool of accounts is identified in the securitization documents, and these specifications may include not only the initial pool of loans but a portfolio from which new accounts may be contributed. The dominant vehicle for issuing securities backed by credit cards is a master trust structure with a "spread account" that is funded up to a predetermined amount through "excess yield"—that is, interest and fee income less credit losses, servicing and other fees. With credit card receivables, the income from the pool of loans—even after credit losses—is generally much higher than the return paid to investors. After the spread account accumulates to its predetermined level, the excess yield reverts to the issuer.

Holders of Asset-Backed Securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. In addition, concentrations of Asset-Backed Securities of a particular type, as well as concentrations of Asset-Backed Securities issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region, may subject the Offered Securities to additional risk.

Credit risk is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral or the issuer's or servicer's failure to perform.

These two elements can blur together as, for example, in the case of a servicer who does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Market risk arises from the cash-flow characteristics of the security, which for many Asset-Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest-rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to security holders and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. Liquidity risk can arise from increased perceived credit risk, like that which occurred in 1996 and 1997 with the rise in reported delinquencies and losses on securitized pools of credit cards. Liquidity can also become a significant problem if concerns about credit quality, for example, lead investors to avoid the securities issued by the relevant special-purpose entity. Some securitization transactions may include a "liquidity facility," which requires the facility provider to advance funds to the relevant special-purpose entity should liquidity problems arise. However, where the originator is also the provider of the liquidity facility, the originator may experience similar market concerns if the assets it originates deteriorate and the ultimate practical value of the liquidity facility to the transaction may be questionable. Operations risk arises through the potential for misrepresentation of asset quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer.

Further issues may arise based on discretionary behavior of the issuer within the terms of the securitization agreement, such as voluntary buybacks from, or contributions to, the underlying pool of loans when credit losses rise. A bank or other issuer may play more than one role in the securitization process. An issuer can simultaneously serve as originator of loans, servicer, administrator of the trust, underwriter, provider of liquidity and credit enhancer. Issuers typically receive a fee for each element of the transaction they undertake. Institutions acquiring Asset-Backed Securities should recognize that the multiplicity of roles that may be played by a single firm—within a single securitization or across a number of them—means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of firms.

Often Asset-Backed Securities are structured to reallocate the risks entailed in the underlying collateral (particularly credit risk) into security tranches that match the desires of investors. For example, senior subordinated security structures give holders of senior tranches greater credit risk protection (albeit at lower yields) than holders of subordinated tranches. Under this structure, at least two classes of Asset-Backed Securities are issued, with the senior class having a priority claim on the cash flows from the underlying pool of assets. The subordinated class must absorb credit losses on the collateral before losses can be charged to the senior portion. Because the senior class has this priority claim, cash flows from the underlying pool of assets must first satisfy the requirements of the senior class. Only after these requirements have been met will the cash flows be directed to service the subordinated class.

A significant portion of the Collateral will consist of Asset-Backed Securities that are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, many of the Asset-Backed Securities included in the Collateral may have been issued in transactions that have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal on more senior classes, the average life of such securities may lengthen. Subordinate Asset-Backed Securities generally do not have the right to call a default or vote on remedies following a default unless more senior securities have been paid in full. As a result, a shortfall in payments to subordinate investors in Asset-Backed Securities will generally not result in a default being declared on the transaction and the transaction will not be restructured or unwound. Furthermore, because subordinate Asset-Backed Securities may represent a relatively small percentage of the size of the asset pool being securitized, the impact of a relatively small loss on the overall pool may disproportionately affect the holders of such subordinate security.

Asset-Backed Securities often use various forms of credit enhancements to transform the risk-return profile of underlying collateral, including third-party credit enhancements, recourse provisions,

overcollateralization and various covenants. Third-party credit enhancements include standby letters of credit, collateral or pool insurance, or surety bonds from third parties. Recourse provisions are guarantees that require the originator to cover any losses up to a contractually agreed-upon amount. One type of recourse provision, often seen in securities backed by credit card receivables, is the "spread account." This account is actually an escrow account whose funds are derived from a portion of the spread between the interest earned on the assets in the underlying pool of collateral and the lower interest paid on securities issued by the trust. The amounts that accumulate in this escrow account are used to cover credit losses in the underlying asset pool, up to several multiples of historical losses on the particular assets collateralizing the securities. Overcollateralization is another form of credit enhancement that covers a predetermined amount of potential credit losses. It occurs when the value of the underlying assets exceeds the face value of the securities. A similar form of credit enhancement is the cash-collateral account, which is established when a third party deposits cash into a pledged account. The use of cash-collateral accounts, which are considered by enhancers to be loans, grew as the number of highly rated banks and other credit enhancers declined in the early 1990s. Cash-collateral accounts provide credit protection to investors of a securitization by eliminating "event risk," or the risk that the credit enhancer will have its credit rating downgraded or that it will not be able to fulfill its financial obligation to absorb losses.

Synthetic Securities. As described above, a portion of the Collateral Debt Securities included in the Collateral may consist of Synthetic Securities the Reference Obligations of which are Asset-Backed Securities or a pool of mortgage loans. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Debt Securities. 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 any related 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 any related Reference Obligation. The Issuer will not directly benefit from any collateral supporting any related 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 counterparty as well as that of the Reference Obligor. As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the Offered Securities to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. One or more affiliates of the Initial Purchaser may act as counterparty with respect to all or a portion of the Synthetic Securities, which relationship may create certain conflicts of interest. See "—Certain Conflicts of Interest—Conflicts of Interest Involving the Initial Purchaser".

Illiquidity of Collateral Debt Securities. Some of the Collateral Debt Securities purchased by the Issuer will have no, or only a limited, trading market. The Issuer's investment in illiquid Collateral Debt Securities may restrict its ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities, although the Issuer is generally prohibited by the Indenture from selling Collateral Debt Securities except under certain limited circumstances described under "Security for the Notes—Dispositions of Collateral Debt Securities". Illiquid Collateral Debt Securities may trade at a discount from the price of comparable, more liquid investments. In addition, the Collateral may include privately placed Collateral Debt Securities that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed Collateral Debt Securities are transferable, the prices realized from their sale could be less than those originally paid by the Issuer or less than what may be considered the fair value of such securities.

Rating Confirmation Failure; Mandatory Redemption. The Issuer will notify the Trustee, each Rating Agency and each Hedge Counterparty in writing of the occurrence of the Ramp-Up Completion Date within seven days after the Ramp-Up Completion Date (each notice a "Ramp-Up Notice"). The Issuer will request that each Rating Agency provide the Issuer with a Rating Confirmation within 30 days after receipt of a Ramp-Up Notice. If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency within such 30-day period (a "Rating Confirmation Failure"), (i) the Issuer will be required on the first Distribution Date after such 30-day period to apply Interest Proceeds and, to the extent that Interest Proceeds are insufficient therefor, Principal

Proceeds, in each case in accordance with the Priority of Payments, to the repayment of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and *fourth*, the Class C Notes, to the extent necessary to obtain a Rating Confirmation from each Rating Agency and (ii) subject to satisfaction of the Rating Condition, the notional amount of the Interest Rate Hedge agreement will be reduced by an amount which is proportionate to the amount by which the aggregate outstanding principal amount of the Notes is reduced by reason of such payment of principal of the Notes in connection with a Rating Confirmation Failure. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments".

Credit Ratings. Credit ratings of debt securities 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, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of Collateral Debt Securities will be used by the Collateral Manager only as a preliminary indicator of investment quality. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Collateral Manager's credit analysis than would be the case with investments in investment-grade debt obligations.

International Investing. A limited portion of the Collateral Debt Securities included in the Collateral may consist of obligations of issuers organized in a Special Purpose Vehicle Jurisdiction. Moreover, subject to compliance with certain of the Eligibility Criteria described herein, collateral securing Asset-Backed Securities may consist of obligations of issuers or borrowers organized under the laws of various jurisdictions other than the United States. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws therein. Moreover, many foreign companies are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

In addition, there generally is less governmental supervision and regulation of exchanges, brokers and issuers in foreign countries than there is in the United States. For example, there may be no comparable provisions under certain foreign laws with respect to insider trading and similar investor protection securities laws that apply with respect to securities transactions consummated in the United States.

Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of the Issuer are uninvested and no return is earned thereon. The inability of the Issuer to make intended Collateral Debt Security purchases due to settlement problems or the risk of intermediary counterparty failures could cause the Issuer to miss investment opportunities. The inability to dispose of a Collateral Debt Security due to settlement problems could result either in losses to the Issuer due to subsequent declines in the value of such Collateral Debt Security or, if the Issuer has entered into a contract to sell the security, could result in possible liability to the purchaser. Transaction costs of buying and selling foreign securities, including brokerage, tax and custody costs, also are generally higher than those involved in domestic transactions. Furthermore, foreign financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many foreign companies are less liquid and their prices more volatile than securities of comparable domestic companies.

In many foreign countries there is the possibility of expropriation, nationalization or confiscatory taxation, limitations on the convertibility of currency or the removal of securities, property or other assets of the Issuer, political, economic or social instability or adverse diplomatic developments, each of which could have an adverse effect on the Issuer's investments in such foreign countries. The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency and balance of payments position.

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

Conflicts of Interest Involving the Collateral Manager. Notwithstanding the internal policies of the Collateral Manager that are meant to reduce the possibility of, or effect of, conflicts of interest, the size and scope of activities of the Collateral Manager create various potential and actual conflicts of interest that may arise from the advisory, investment and other activities of the Collateral Manager, its Affiliates and their respective clients and employees. 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 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, the Noteholders or the Preference Shareholders. Such investments may be different from those made on behalf of the Issuer. The Collateral Manager and/or its Affiliates have no affirmative obligation to offer any investment to the Issuer, or to inform the Issuer of any investment opportunity before offering such investment to other funds or accounts that the Collateral Manager or its Affiliates may manage or advise. 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 an issuer's securities that may be *pari passu*, senior or junior in ranking to an investment in such issuer's securities made and/or 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 (except as provided below under "Security for the Notes—Dispositions of Collateral Debt Securities") 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 now or hereafter advised by the Collateral Manager and/or its Affiliates. The policies of the Collateral Manager are such that certain employees of the Collateral Manager may have or obtain information that, by virtue of the Collateral Manager's internal policies relating to confidential communications, cannot or may not be used by the Collateral Manager on behalf of the Issuer. 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.

The Indenture and the Collateral Management Agreement place significant restrictions on the Collateral Manager's ability to advise the Issuer to buy or sell securities for inclusion in the Collateral, and the Collateral Manager is subject to compliance with such restrictions. Accordingly, during certain periods or in certain specified circumstances, the Issuer may be unable to buy or sell securities or to take other actions that the Collateral Manager might consider in the best interest of the Issuer and the Noteholders.

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 collateral manager or investment manager for, investing in, lending to, or being affiliated with, other entities organized to issue collateralized bond obligations secured by securities such as the Collateral Debt Securities 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 investments for the Issuer. 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 Collateral Debt Securities.

The Collateral Manager and its Affiliates may enter into, for their own account, or for other accounts for which they have investment discretion, credit swap agreements relating to entities that are issuers of Collateral Debt Securities. The Collateral Manager and its Affiliates and clients may also have equity and other investments in and may be lenders to, and may have other ongoing relationships with such entities. As a result, officers or Affiliates of the Collateral Manager may possess information relating to the Collateral Debt Securities that is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities and performing other obligations under the Collateral Management Agreement. In addition, Affiliates and clients of the Collateral Manager may invest in securities (or make loans) that are included among, rank *pari passu* with or senior to Collateral Debt Securities, or have interests different from or adverse to those of the Issuer.

The Collateral Manager or an Affiliate of the Collateral Manager may serve as a general partner and/or manager of special purpose entities organized to issue collateralized debt obligations secured by debt obligations. The Collateral Manager and its Affiliates may make investment decisions for their own account or for the accounts of others, including other special purpose entities organized to issue collateralized debt obligations, that may be different from those made by the Collateral Manager on behalf of the Issuer. The Collateral Manager or an Affiliate of the Collateral Manager may at certain times simultaneously seek to purchase (or sell) investments from the Issuer and sell (or purchase) the same investment for a similar entity, including other collateralized debt obligation vehicles, for which it serves as manager now or in the future, or for other clients or Affiliates. In the course of managing the Collateral Debt Securities held by the Issuers, the Collateral Manager may consider its relationships with other clients (including companies the securities of which are pledged to secure the Notes) and its Affiliates. The Collateral Manager may decline to make a particular investment for the Issuer in view of such relationships. The effects of some of the actions described in this section may have an adverse impact on the market from which the Collateral Manager seeks to buy, or to which the Collateral Manager seeks to sell securities on behalf of the Issuer. The Collateral Manager may also at certain times simultaneously seek to purchase investments for the Issuer and/or similar entities, including other collateralized debt obligation vehicles for which it serves as manager now or in the future, or for other clients or Affiliates. Such ownership and such other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and create other potential conflicts of interest with respect to the Collateral Manager.

Pursuant to the Collateral Management Agreement, the Issuer is permitted (i) to purchase Collateral Debt Securities from the Collateral Manager or any client or Affiliate of the Collateral Manager and (ii) to purchase Collateral Debt Securities issued by any fund or entity owned or managed by the Collateral Manager or any of its Affiliates, in each case, only if and to the extent (a) such purchases are made at fair market value and otherwise on arms' length terms and (b) the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law. The aggregate principal balance of Collateral Debt Securities that may be purchased from the Collateral Manager, its Affiliates and funds managed by the Collateral Manager or its Affiliates is limited to 6.5% of the Net Outstanding Portfolio Collateral Balance. In the foregoing situations, the Collateral Manager and its Affiliates may have a potentially conflicting division of loyalties regarding both parties in the transaction. If an Affiliate of the Collateral Manager acts as a 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 interest in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commissions.

It is expected that the Collateral Manager or one or more Affiliates of the Collateral Manager will purchase a beneficial interest in not less than 80% of the Preference Shares on the Closing Date. The Collateral Manager, its Affiliates and client accounts for which the Collateral Manager or its Affiliates act as investment advisor may at times also own other Offered Securities. The Collateral Manager, its Affiliates and client accounts are not required to own or hold any Offered Securities and may sell any Offered Securities held by them (including any Preference Shares purchased by them on the Closing Date) at any time. The Collateral Manager may pledge or otherwise assign all or a portion of its right to receive payment of Collateral Management Fees, the Collateral Management Fee Makewhole and dividends and other distributions on Preference Shares owned by it for the purpose of financing its acquisition of Preference Shares.

At any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Offered Securities held by any of such Collateral Manager, its Affiliates and accounts for which such Collateral Manager or any Affiliate thereof acts as investment advisor (and for which such Collateral Manager or such Affiliate has discretionary authority) with respect to any assignment or termination of, any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any rights to remove the Collateral Manager or terminate the Collateral Management Agreement), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. However, at any given time the Collateral Manager and its Affiliates will be entitled to vote Offered Securities held by them and by such accounts with respect to all other matters. For purposes hereof, "Affiliate" means, with respect to the Collateral Manager, (i) any other person who, directly or indirectly, is in control of, or controlled by, or is under common control with, the Collateral Manager or (ii) any other person who is a director, member, officer, employee or general partner of (a) the Collateral Manager or (b) any such other person described in clause (i) above. For the purposes of the foregoing definition, control of a person shall mean the power, direct or indirect, (x) to vote more than 50% of the securities having ordinary voting power for the election of directors of such person or (y) to direct or cause the direction of the management and policies of such person whether by contract or otherwise. The ownership of up to 100% of the Preference Shares by it and its Affiliates may give the Collateral Manager an incentive to take actions that vary from the interests of the holders of the Notes.

No provision in the Collateral Management Agreement prevents the Collateral Manager or any of its Affiliates from rendering services of any kind to any person or entity, including the issuer of any obligation included in the Collateral or any of its affiliates, the Trustee, the holders of the Offered Securities or any Hedge Counterparty. Without limiting the generality of the foregoing, the Collateral Manager, its Affiliates and their respective directors, officers, employees and agents may, among other things: (a) serve as directors, partners, officers, employees, agents, nominees or signatories for any issuer of any obligation included in the Collateral; (b) receive fees for services to be rendered to the issuer of any obligation included in the Collateral or any affiliate thereof; (c) be retained to provide services unrelated to the Collateral Management Agreement to the Issuer or its affiliates and be paid therefor; (d) be a secured or unsecured creditor of, or hold an equity interest in, any issuer of any obligation included in the Collateral; or (e) serve as a member of any "creditors board" with respect to any obligation included in the Collateral which has become or may become a Defaulted Security. Services of this kind may lead to conflicts of interest with the Collateral Manager, and may lead individual officers or employees of the Collateral Manager to act in a manner adverse to the Issuer.

Although the Collateral Manager or one of its Affiliates will at times be a holder of 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).

In the selection of brokers and dealers, the Collateral Manager shall seek to obtain the best prices and execution for all orders placed with the Collateral, considering all circumstances that are relevant in its reasonable determination. Subject to the objective of obtaining the best prices and execution, the Collateral Manager may take into consideration research and other brokerage services furnished to the Collateral Manager or its Affiliates by brokers and dealers that are not Affiliates of the Collateral Manager. Such services may be used by the Collateral Manager or its Affiliates in connection with its other advisory activities or investment operations. The Collateral Manager may aggregate sales and purchase orders of securities placed with respect to the Collateral with similar orders being made simultaneously for other accounts managed by the Collateral Manager or with accounts of the Affiliates of the Collateral Manager if in the Collateral Manager's judgment such aggregation shall result in an overall economic benefit to the Issuer, taking into consideration the advantageous selling or purchase price, brokerage commission and other expenses. In the event that a sale or purchase of a Collateral Debt Security occurs as part of any aggregate sale or purchase order, the objective of the Collateral Manager (and any of its Affiliates involved in such transactions) shall be to allocate the executions among the relevant accounts in an equitable manner over time (taking into account constraints imposed by the Eligibility Criteria and the Portfolio Percentage Limitations).

Conflicts of Interest Involving the Administrative Agent. In addition, pursuant to the Administrative Agency Agreement, the Administrative Agent will agree that, in the event that Terwin Money Management LLC for any reason ceases to act as Collateral Manager, whether due to its resignation, removal or otherwise, at any

time when the Administrative Agency Agreement is in effect, it will monitor and administer the Collateral in its capacity as Administrative Agent; provided that if the Rating Condition with respect to Standard & Poor's is not satisfied with respect to the assumption by the Administrative Agent of the Collateral Manager's obligations under the Collateral Management Agreement, the Administrative Agent may, in its sole discretion, select a substitute administrative agent so long as the Rating Condition with respect to Standard & Poor's is satisfied with respect to such substitute administrative agent. In such an event, the Administrative Agent (or substitute administrative agent) will automatically, without any further action on the part of any party, assume certain obligations regarding the monitoring and administering of the Collateral Debt Securities. Were such an event to occur, certain potential conflicts of interest of the same nature as those described above under "Certain Conflicts of Interest Involving the Collateral Manager" would arise with respect to the performance by the Administrative Agent (or substitute administrative agent) of its obligations pursuant to the Administrative Agency Agreement. Reference is hereby therefore made to the aforementioned description of certain potential conflicts of interest and investors in the Offered Securities should consider those conflicts of interest as if they were applicable to the Administrative Agent (or substitute administrative agent).

Conflicts of Interest Involving the Initial Purchaser. Certain of the Collateral Debt Securities acquired by the Issuer may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which the Initial Purchaser or an affiliate of the Initial Purchaser has acted as underwriter, agent, placement agent or dealer or for which an affiliate of the Initial Purchaser has acted as lender or provided other commercial or investment banking services. The Initial Purchaser or one or more of its affiliates may also act as counterparty with respect to Synthetic Securities. In addition, an affiliate of the Initial Purchaser may act as a Hedge Counterparty under one or more of the Hedge Agreements. An Affiliate of the Initial Purchaser will also act as the Administrative Agent.

Purchase of Collateral Debt Securities. All of the Collateral Debt Securities purchased by the Issuer on the Closing Date will be purchased from a portfolio of Collateral Debt Securities selected by the Collateral Manager and held by Merrill Lynch International ("MLI"), an Affiliate of the Initial Purchaser pursuant to a warehousing agreement between MLI and the Collateral Manager. Some of the Collateral Debt Securities subject to such warehousing agreement may have been originally acquired by the Initial Purchaser from the Collateral Manager or one of its Affiliates or clients and some of the Collateral Debt Securities subject to such warehousing agreement may include securities issued by a fund or other entity owned or managed by the Collateral Manager. The Issuer will purchase Collateral Debt 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 Collateral Debt Securities will be based on the purchase price paid when such Collateral Debt Securities were acquired under the warehousing agreement, accrued and unpaid interest on such Collateral Debt Securities as of the Closing Date and gains or losses incurred in connection with hedging arrangements entered into with respect to such Collateral Debt Securities. Accordingly, the Issuer will bear the risk of market changes subsequent to the acquisition of such Collateral Debt Securities and related hedging arrangements as if it had acquired such Collateral Debt Securities directly at the time of purchase by MLI of such Collateral Debt Securities and not the Closing Date.

If an affiliate of the Initial Purchaser that sold warehoused Collateral Debt Securities to the Issuer were to become the subject of a case or proceeding under the United States Bankruptcy Code or another applicable insolvency law, the trustee in bankruptcy or other liquidator could assert that such Collateral Debt Securities are property of the insolvency estate of such affiliate. Property that such affiliate had pledged or assigned, or in which such affiliate had granted a security interest, as collateral security for the payment or performance of an obligation, would be treated as property of the estate of such affiliate. Property that such affiliate had sold or absolutely assigned and transferred to another party, however, would not be property of the estate of such affiliate. The Issuer does not expect that the purchase by the Issuer of Collateral Debt Securities, under the circumstances contemplated by this Offering Circular, would be deemed to be a pledge or collateral assignment (as opposed to the sale or other absolute transfer) of such Collateral Debt Securities to the Issuer.

Dependence on the Collateral Manager and Key Personnel. The performance of the portfolio of Collateral Debt Securities depends heavily on the skills of the Collateral Manager in analyzing and selecting the Collateral Debt Securities. As a result, the Issuer will be highly dependent on the financial and managerial

experience of the Collateral Manager and certain of the officers and employees of the Collateral Manager to whom the task of selecting and monitoring the Collateral has been assigned or delegated. Certain employment arrangements between those officers and employees and the Collateral Manager may exist, but the Issuer is not, and will not be, a direct beneficiary of such arrangements, which arrangements are in any event subject to change without the consent of the Issuer. See "The Collateral Manager" and "The Collateral Management Agreement".

Projections, Forecasts and Estimates. Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain assumptions that the Co-Issuers consider reasonable. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, the timing of acquisitions of Collateral Debt Securities by the Issuer, differences in the actual allocation of the Collateral Debt Securities included in the Collateral among asset categories from those assumed, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from Collateral Debt Securities included in the Collateral (particularly during the period prior to the Ramp-Up Completion Date), defaults under Collateral Debt Securities included in the Collateral and the effectiveness of the Hedge Agreements, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, any Hedge Counterparty, the Initial Purchaser or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

None of the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Hedge Counterparties, the Initial Purchaser, any of their respective affiliates and any other person has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

Money Laundering Prevention. "The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA PATRIOT Act"), effective as of October 26, 2001, requires broker-dealers registered with the Securities and Exchange Commission and the National Association of Securities Dealers (the "NASD"), such as the Initial Purchaser, to establish and maintain anti-money laundering programs. With respect to the content of those programs, the NASD has enacted a rule that requires broker-dealers to establish and maintain anti-money laundering programs similar to those currently in place at U.S. banks. The Treasury Department has published proposed regulations that, if enacted in their current form, will compel certain "unregistered investment companies" to undertake certain activities including establishing, maintaining and periodically testing an anti-money laundering compliance program, and designating and training personnel responsible for that compliance program. In addition, the Treasury Department has published proposed regulations that would require certain investment managers to establish anti-money laundering programs. The Issuer will continue to monitor the ambit of the proposed regulations, and of the exceptions thereto, and will take all necessary steps (if any) required to comply with those regulations once they are enacted. It is possible that legislation or regulation could be promulgated which will require the Collateral Manager or other service providers to the Co-Issuers to share information with governmental authorities with respect to investors in the Offered Securities in connection with the establishment of anti-money laundering procedures or require the Issuer to implement additional restrictions on the transfer of the Offered Securities. The Issuer reserves the right to request such information as is necessary to verify the identity of the holder of an Offered Security and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by the Treasury Department or by any other governmental or self-regulatory agency. Legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the Offered Securities. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of the Offered Securities and the subscription monies relating thereto may be refused.

Investment Company Act. Neither the Co-Issuers nor the Collateral Manager has been registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States or any State thereof (a) whose investors resident in the United States are solely "qualified purchasers" (within the meaning given to such term in the Investment Company Act and the regulations of the SEC thereunder) or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. Counsel for the Co-Issuers will opine, in connection with the issuance of the Offered Securities, that neither of the Co-Issuers is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Notes and Preference Shares are sold in accordance with the terms of the Indenture, the Preference Share Documents and the Purchase Agreement). No opinion or no-action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer or the Co-Issuer is required, but in violation of the Investment Company Act had failed, to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Issuer or the Co-Issuer could sue the Issuer or the Co-Issuer, as the case may be, and recover any damages caused by the violation; and (iii) any contract to which the Issuer or the Co-Issuer, as the case may be, is a party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than nonenforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer or the Co-Issuer be subjected to any or all of the foregoing, the Issuer or the Co-Issuer, as the case may be, would be materially and adversely affected.

Each transferee of a beneficial interest in a Restricted Global Note will be deemed to represent at the time of purchase that: (i) the purchaser is both a Qualified Institutional Buyer and a Qualified Purchaser; (ii) the purchaser is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.\$25,000,000 in securities of issuers that are not affiliated persons of the dealer; and (iii) the purchaser is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; and (iv) the purchaser will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Restricted Note (or any interest therein) (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both a Qualified Institutional Buyer and a Qualified Purchaser, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Note (or any interest therein) to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

The Preference Share Documents provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Restricted Definitive Preference Shares (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both (i) a Qualified Institutional Buyer (or an Accredited Investor that purchased such Restricted Definitive Preference Share in

connection with the initial distribution thereof or in accordance with an exception from the registration requirement of the Securities Act other than pursuant to Rule 144A) and (ii) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Definitive Preference Shares (or interest therein) to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Preference Share to be transferred in a commercially reasonable sale (conducted by the Administrator in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Preference Share Paying Agent, the Issuer and the Collateral Manager, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Preference Share held by such beneficial owner.

Mandatory Repayment of the Notes. If any Coverage Test applicable to a Class of Notes is not met, Interest Proceeds will be used to the extent that funds are available in accordance with the Priority of Payments and to the extent necessary to restore the relevant Coverage Tests to certain minimum required levels, will be used to repay principal of one or more Classes of Notes. See "Description of the Notes—Mandatory Redemption".

In addition, if the Issuer is unable to obtain a Rating Confirmation from each of the Rating Agencies by the 30th day following receipt by each Rating Agency of a Ramp-Up Notice, *first*, Interest Proceeds, *then*, to the extent that the application of Interest Proceeds is insufficient therefor, 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 B Notes, *then*, the Class C Notes, in each case to the extent necessary to obtain a 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 the principal repayments made to the holders of one or more Classes of Notes that are Subordinate to any other outstanding Class of Notes, which could adversely impact the returns of such holders.

In addition, if, on any Distribution Date, until the Class C Notes have been paid in full, the Preference Shareholders have received distributions on the Preference Shares sufficient to achieve an annualized Dividend Yield of 12% per annum, any excess amount of Interest Proceeds will be applied to pay principal of the Class C Notes. See "Description of the Notes—Principal," "—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds".

Auction Call Redemption. In addition, if the Notes have not been redeemed in full prior to the Distribution Date occurring in March 2012, then an auction of the Collateral Debt Securities will be conducted and, *provided* that certain conditions are satisfied (including the requirement that the Preference Shareholders shall have received an amount sufficient to ensure that the Preference Shareholders shall have received at least the Preference Share Rated Balance on such Distribution Date), the Collateral Debt Securities will be sold and the Notes will be redeemed (in whole, but not in part) on such Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Distribution Date, the Trustee will conduct auctions on a quarterly basis until the Notes are redeemed in full. See "Description of the Notes—Redemption Price" and "—Auction Call Redemption". Each Hedge Agreement will terminate upon an Auction Call Redemption.

Optional Redemption. A Majority-in-Interest of Preference Shareholders may require that the Notes be redeemed in whole and not in part as described under "Description of the Notes—Optional Redemption and Tax Redemption", *provided* that (a) no such Optional Redemption may occur prior to the Distribution Date occurring in March 2007 and (b) certain conditions are satisfied (including, in the event of an Optional Redemption prior to the Distribution Date in March 2012, the requirement to pay the Collateral Management Fee Makewhole on such date of redemption). See "Description of the Notes—Optional Redemption and Tax Redemption". Each Hedge Agreement will terminate upon any Optional Redemption.

Tax Redemption. Upon the occurrence of a Tax Event, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the direction of the holders of a majority in aggregate outstanding principal amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest payable to such Class on any Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Preference Shareholders; *provided* that certain conditions are satisfied (including, in the event of a Tax Redemption prior to the Distribution Date in March 2012, the requirement to pay the Collateral Management Fee Makewhole on such date of redemption). No Tax Redemption may be effected, however, unless the Tax Materiality Condition is satisfied. See "Description of the Notes—Optional Redemption and Tax Redemption". Each Hedge Agreement will terminate upon any Tax Redemption.

Interest Rate Risk. The Notes are denominated in U.S. Dollars and bear interest at a rate based on three-month LIBOR as determined on the relevant LIBOR Determination Date. 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 Collateral Debt Securities included in the Collateral. In addition, any payments of principal of or interest on Collateral Debt Securities received during a Due Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Distribution Date. There is no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. As a result of these mismatches, an increase in three-month LIBOR could adversely impact the ability of the Issuer to make payments on the Notes (including by reason of a decline in the value of previously issued fixed rate Collateral Debt Securities as LIBOR increases). With respect to any Fixed Rate Collateral Debt Security, a portion of such interest rate mismatch will be mitigated by the Hedge Agreement which the Issuer will enter into in connection with the acquisition of such Collateral Debt Security. However, there can be no assurance that the Collateral Debt Securities and Eligible Investments, together with the Hedge Agreements, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes. Moreover, the benefits of a particular Hedge Agreement may not be achieved in the event of the early termination of such Hedge Agreement, including termination upon the failure of the applicable Hedge Counterparty to perform its obligations thereunder. See "Security for the Notes—The Hedge Agreements".

Subject to satisfaction of the Rating Condition with respect to such reduction, the Collateral Manager may cause the Issuer to reduce the notional amount of a Hedge Agreement. In the event of any such reduction, the relevant Interest Rate Hedge Counterparty or the Issuer may be required to make a termination payment in respect of such reduction to the other party. See "Security for the Notes—The Hedge Agreements".

Average Life of the Notes and Prepayment Considerations. The average life of each Class of Notes is expected to be shorter than the number of years until the Stated Maturity. See "Maturity, Prepayment and Yield Considerations".

The average life of each Class of Notes will be affected by the financial condition of the obligors on or issuers of the Collateral Debt Securities included in the Collateral and the characteristics of such Collateral Debt Securities, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, the frequency of tender or exchange offers for such Collateral Debt Securities and any sales of such Collateral Debt Securities and any dividends or other distributions received in respect of Equity Securities, as well as the risks unique to investments in obligations of foreign issuers described above. See "Maturity, Prepayment and Yield Considerations" and "Security for the Notes".

Distributions on the Preference Shares; Investment Term; Non-Petition Agreement. Prior to the payment in full of the Notes and all other amounts owing under the Indenture, Preference Shareholders will be entitled to receive distributions only to the extent permissible under the Indenture and Cayman Islands law (as described herein). The timing and amount of distributions payable to Preference Shareholders and the duration of the Preference Shareholders' investment in the Issuer therefore will be affected by the average life of the Notes. See "—Average Life of the Notes and Prepayment Considerations" above. Each Original Purchaser of

Preference Shares will be deemed by its purchase of Preference Shares to covenant that it will not cause the filing of a petition in bankruptcy against the Issuer before one year and one day have elapsed since the payment in full of the Notes or, if longer, the applicable preference period then in effect. If such provision failed to be effective to preclude the filing of a petition under applicable bankruptcy laws, then the filing of such a petition could result in one or more payments on the Notes made during the period prior to such filing being deemed to be preferential transfers subject to avoidance by the bankruptcy trustee or similar official exercising authority with respect to the Issuer's bankruptcy estate.

Ramp-Up Period. At the Closing Date the Issuer will have purchased or entered into binding commitments to purchase Collateral Debt Securities having an aggregate par amount of at least U.S.\$265,000,000.

Pursuant to the Indenture, on or prior to the 60th day after the Closing Date, the Issuer is required to use its best efforts to purchase or enter into binding commitments to purchase additional Collateral Debt Securities having an aggregate par amount (together with the aggregate principal balance of Collateral Debt Securities purchased by the Issuer on the Closing Date and the aggregate amount of unpaid interest accrued thereon prior to the respective dates of purchase thereof) of at least U.S.\$300,000,000. The date that is the earlier of (a) 60 days following the Closing Date and (b) the first day on which the aggregate par amount of the Collateral Debt Securities held by the Issuer, together with the aggregate amount of unpaid interest accrued thereon prior to the respective dates of purchase thereof, is at least equal to U.S.\$300,000,000 is referred to herein as the "Ramp-Up Completion Date". During the period from and including the Closing Date to and excluding the Ramp-Up Completion Date, the Collateral Manager, on behalf of the Issuer, will be entitled to use Uninvested Proceeds to purchase additional Collateral Debt Securities satisfying the Eligibility Criteria and other investment criteria set forth in the Indenture. There can be no assurance that the Collateral Manager will be able to acquire sufficient Collateral Debt Securities meeting the Eligibility Criteria prior to the Ramp-Up Completion Date and, consequently, there can be no assurance that the Portfolio Percentage Limitations, Collateral Quality Tests, Standard & Poor's CDO Monitor Test and Coverage Tests will be satisfied as of the Ramp-Up Completion Date. This may result in a Rating Confirmation Failure.

In addition, whether or not the Issuer has succeeded in acquiring Collateral Debt Securities having an aggregate par amount, together with the aggregate amount of unpaid interest accrued thereon prior to the respective dates of purchase thereof, equal to U.S.\$300,000,000 by the Ramp-Up Completion Date, all Uninvested Proceeds remaining on the first Determination Date are required to be applied as Principal Proceeds on the first Distribution Date. Accordingly, to the extent that Uninvested Proceeds have not been invested in Collateral Debt Securities during the Ramp-Up Period, such Uninvested Proceeds will be used to pay principal of the Notes on the first Distribution Date occurring after the Ramp-Up Completion Date in accordance with the Priority of Payments. After the Ramp-Up Completion Date, the Issuer will not be entitled to purchase any additional Collateral Debt Securities.

Dispositions of Defaulted Securities, Credit Risk Securities and Equity Securities. The Issuer is required to sell certain types of Equity Securities within five days of receipt thereof and other types of Equity Securities within in year of receipt thereof. The Issuer is required to use commercially reasonable efforts to sell Defaulted Securities within one year of any such security becoming a Defaulted Security; *provided* that (a) Defaulted Securities may be held for more than one year if the Issuer is unable to sell such Defaulted Security in accordance with the Indenture and (b) any Defaulted Securities that are held for more than three years after becoming Defaulted Securities will be treated as Equity Securities (and therefore have a principal balance of zero for the purposes of the Principal Coverage Test). The Issuer may (but is not obligated to) sell Credit Risk Securities at any time. See "Security for the Notes--Dispositions of Collateral Debt Securities". Although procedures relating to the sale of Defaulted Securities, Credit Risk Securities and Equity Securities held by the Issuer are set forth in the Indenture, the Collateral Manager will not be able to exercise discretion outside of those procedures in connection with such sales and the Issuer will not be able to sell any other Collateral Debt Securities in response to changes in related credit or market risks.

Taxes on the Issuer. The Issuer expects that payments received on the Collateral Debt Securities, Eligible Investments and the Hedge Agreements generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. Those payments, however, might

become subject to U.S. or other withholding tax due to a change in law or other causes. Payments with respect to any Equity Securities likely will be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. The imposition of unanticipated withholding taxes or tax on the Issuer's net income could materially impair the Issuer's ability to pay principal of and interest on the Notes and dividends or return of capital in respect of the Preference Shares.

Withholding on the Notes and Preference Shares. The Issuer expects that payments of principal and interest by the Issuer in respect of the Notes will ordinarily not be subject to any withholding tax in the Cayman Islands, the United States or any other jurisdiction. See "Income Tax Considerations". In the event that withholding or deduction of any taxes from payments of principal or interest in respect of the Notes is required by law in any jurisdiction, neither Co-Issuer shall be under any obligation to make any additional payments to the holders of any Notes in respect of such withholding or deduction.

All distributions in respect of, and return of capital on, the Preference Shares will be made without any deduction or withholding for or on account of any tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Issuer is so required to deduct or withhold, then the Issuer will instruct the Preference Share Paying Agent to make such deduction or withholding and will pay any such withholding taxes in the relevant jurisdiction, but will not be obligated to pay any additional amounts in respect of such withholding or deduction.

Tax Treatment of Holders of Class C Notes and Preference Shares. Because the Issuer will be a passive foreign investment company, a U.S. person holding Preference Shares may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Issuer also may be a controlled foreign corporation or a foreign personal holding company, in which case U.S. persons holding Preference Shares could be subject to different tax treatments. See "Income Tax Considerations".

The Issuer intends to treat the Class C Notes, and the Indenture requires that holders agree to treat the Class C Notes, as debt for U.S. Federal income tax purposes. The U.S. Internal Revenue Service may challenge the treatment of the Class C Notes as debt of the Issuer. If such a challenge were successful, the Class C Notes would be treated as equity interests in the Issuer, and the U.S. Federal income tax consequences of investing in the Class C Notes would be the same as those of having invested in the Preference Shares without making an election to treat the Issuer as a qualified electing fund. See "Income Tax Considerations".

ERISA Considerations. The Issuer intends to restrict ownership of the Preference Shares so that no assets of the Issuer will be deemed to be "plan assets" subject to ERISA and/or Section 4975 of the Code as such term is defined in the Plan Asset Regulation issued by the United States Department of Labor. The Issuer intends to restrict the acquisition of Preference Shares by Benefit Plan Investors (which is defined in the Plan Asset Regulation to include all employee benefit plans, whether or not the plans are subject to Title I of ERISA, plans within the meaning of Section 4975 of the Code and entities whose underlying assets are deemed to include plan assets) on the Closing Date to less than 25% of all Preference Shares (excluding Preference Shares held by Controlling Persons (as defined herein)). The Issuer intends to restrict transfers of the Preference Shares so that after the Closing Date, no Preference Shares will be transferred to Benefit Plan Investors. In particular, each owner of a Preference Share will be required to execute and deliver to the Issuer and the Preference Share Paying Agent a letter in the form attached as an exhibit to the Preference Share Agency Agreement to the effect that such owner will not transfer such interest except in compliance with the transfer restrictions set forth in the Preference Share Agency Agreement, in each case, including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer. Although each such owner will be required to indemnify the Issuer for the consequences of any breach of such obligations, there is no assurance that an owner will not breach such obligations or that, if such breach occurs, such owner will have the financial capacity and willingness to indemnify the Issuer for any losses that the Issuer may suffer.

If the assets of either of the Co-Issuers were deemed to be "plan assets", certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute

non-exempt prohibited transactions under ERISA and/or Section 4975 of the Code and might have to be rescinded. However, it is anticipated that such a result would be unlikely because (1) the Collateral Debt Securities acquired by the Issuer will be limited to securities as to which the assets of the issuers thereof will not be treated as "plan assets", even if the underlying assets of the Issuer are so treated, and (2) the issuers of such securities will be special-purpose entities that are not likely to be Parties-In-Interest or Disqualified Persons with respect to any Plans.

With respect to the purchasers of Offered Securities on the Closing Date (each, an "Original Purchaser"), (a) each Original Purchaser of Notes and each transferee of a Note will be deemed to represent and (or, if required by the Indenture, a transferee will be required to certify) either that (i) it is not (and, for so long as it holds any Offered Security, will not be), and is not (and, for so long as it holds any Note or any interest therein, will not be) acting on behalf of, an employee benefit plan subject to Title I of ERISA, a plan subject to Section 4975 of the Code or a governmental or church plan subject to any Similar Law or (ii) its purchase and ownership of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of a governmental or church plan, will not result in a violation of any Similar Law) and (b) each Original Purchaser and each transferee of a Preference Share will be required to certify whether or not it is a Benefit Plan Investor or a Controlling Person. Each such Original Purchaser that is a Benefit Plan Investor subject to Title I of ERISA, Section 4975 of the Code or any Similar Law will be required to certify that its investment in Preference Shares will not result in a non-exempt prohibited transaction under the foregoing provisions of ERISA and the Code or a violation of any Similar Law. No transferee of a Preference Share after the Closing Date may be a Benefit Plan Investor.

See "ERISA Considerations" herein for a more detailed discussion of certain ERISA and related considerations with respect to an investment in the Offered Securities.

The Issuer. The Issuer is a recently formed Cayman Islands entity and has no prior operating history other than in connection with the acquisition of certain Collateral Debt Securities prior to the issuance of the Offered Securities and the engagement of the Collateral Manager and the entering into of arrangements with respect thereto. The Issuer will have no significant assets other than the Collateral Debt Securities, Equity Securities, Eligible Investments, the Collection Accounts and its rights under the Collateral Management Agreement, each Hedge Agreement and certain other agreements entered into as described herein, all of which have been pledged to the Trustee to secure the Issuer's obligations to the holders of the Notes and the Hedge Counterparties. The Issuer will not engage in any business activity other than the issuance and sale of the Offered Securities as described herein and its ordinary shares, the acquisition and disposition of, and investment in, Collateral Debt Securities and Eligible Investments as described herein, the entering into of, and the performance of its obligations under, the Indenture, the Hedge Agreements, the Collateral Management Agreement, the Collateral Administration Agreement, the Class A-2 Agency and Amending Agreement, the Purchase Agreement, the Administrative Agency Agreement and the Preference Share Agency Agreement, the pledge of the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties, certain activities conducted in connection with the payment of amounts in respect of the Offered Securities, the management of the Collateral and other activities incidental to the foregoing. Income derived from the Collateral Debt Securities and other Collateral will be the Issuer's only source of cash.

The Co-Issuer. The Co-Issuer is a newly formed Delaware corporation and has no prior operating history. The Co-Issuer does not have and will not have any substantial assets. The Co-Issuer will not engage in any business activity other than the co-issuance of the Notes and will not be an obligor on the Preference Shares.

Certain Considerations Relating to the Cayman Islands. The Issuer is an exempted company incorporated under the laws of the Cayman Islands. As a result, it may not be possible for purchasers of the Offered Securities to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer has been advised by Maples and Calder, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any Federal or state court in the United States based on civil liability, whether or not predicated

solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer will appoint CT Corporation, 111 Eighth Avenue, 13th Floor, New York, New York 10011 as its agent in New York for service of process.

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at JPMorgan Chase Bank, 600 Travis Street, 50th Floor, JPMorgan Chase Tower, Houston, Texas 77002 or in Ireland at NCB Stockbrokers Limited, 3 George's Dock, International Financial Services Centre, Dublin 1, Ireland if and for so long as any Notes are listed on the Irish Stock Exchange.

Status and Security

The Notes will be limited-recourse debt obligations of the Co-Issuers. All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves and all of the Class C Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Distribution Date is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes and, *fourth*, Class C Notes, with (a) each Class of Notes (other than the Class C Notes) in such list being "Senior" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except as otherwise described herein, no payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments".

Under the terms of the Indenture, the Issuer will grant to the Trustee for the benefit of the Secured Parties a first priority security interest in the Collateral described herein to secure the Issuer's obligations under the Indenture and the Notes.

Payments of principal of and interest on the Notes will be made solely from the proceeds of the Collateral, in accordance with the priorities described under "—Priority of Payments" herein. If the amounts received in respect of the Collateral (net of certain expenses) 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 Collateral, the obligations of the Co-Issuers to pay any such deficiency will be extinguished.

Interest

The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.41%. The Class A-2 Notes will bear interest, and the Issuer will incur certain expenses for services performed in relation to the Class A-2 Notes, at an aggregate amount equal to a floating rate per annum not to exceed LIBOR plus 1.2%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.2%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.3%. Interest on the Notes will be computed on the basis of a 360-day year and the actual number of days elapsed.

Interest will accrue on the outstanding principal amount of each Class of Notes (determined as of the first day of each Interest Period and after giving effect to any redemption or other payment of principal occurring on such day) from the Closing Date. Interest accruing for any Interest Period will accrue for the period from and including the first day of such Interest Period to and including the last day of such Interest Period.

Payments of interest on the Notes will be payable in U.S. dollars and, except as provided in the Class A-2 Notes Supplement, quarterly in arrears on each March 10, June 10, September 10 and December 10,

commencing June 10, 2004 (each a "Distribution Date"), *provided* that (i) the final Distribution Date with respect to the Notes shall be March 10, 2039, and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day.

The Issuer will enter into the Basis Swap (as defined herein) in order to finance the periodic payment of interest on the Class A-2 Notes on dates other than the Distribution Dates, all as described in a supplement to this Offering Circular relating to the Class A-2 Notes (the "Class A-2 Notes Supplement").

So long as any Class of Notes is outstanding, if any Coverage Test applicable to such Class of Notes is not satisfied on any Determination Date relating to any Distribution Date, then funds that would otherwise be used to make payments in respect of interest on any Class of Notes Subordinate to such Class will be used instead to redeem, *first*, each Class (if any) of Notes Senior to such Class of Notes (sequentially in direct order of Seniority) and, *second*, such Class of Notes, until each applicable Coverage Test is satisfied. See "Description of the Notes—Priority of Payments".

So long as any Class A Notes or Class B Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class C Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class C Deferred Interest"); *provided* that no accrued interest on a Class of Notes shall become Class C Deferred Interest unless a more Senior Class of Notes is then outstanding. Any Class C Deferred Interest will be added to the aggregate outstanding principal amount of the Class C Notes, and thereafter interest will accrue on the aggregate outstanding principal amount of the Class C Notes, as so increased. Unless otherwise specified herein, any reference to the principal amount of a Class C Note includes any Class C Deferred Interest added thereto. Upon the payment of Class C Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class C Notes will be reduced by the amount of such payment.

Interest will cease to accrue on each Note or, in the case of a partial repayment, on such part, from the date of repayment or Stated Maturity unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments. To the extent lawful and enforceable, interest on any Defaulted Interest on any Note will accrue at the interest rate applicable to such Note until paid. "Defaulted Interest" means any interest due and payable in respect of any Note that is not punctually paid or duly provided for on the applicable Distribution Date or at Stated Maturity. Class C Deferred Interest will not constitute "Defaulted Interest".

Definitions

"Interest Period" means (i) in the case of the initial Interest Period, the period from, and including, the Closing Date to, but excluding, the first Distribution Date, and (ii) thereafter, the period from, and including, the Distribution Date immediately following the last day of the immediately preceding Interest Period to, but excluding, the next succeeding Distribution Date.

With respect to each Interest Period, "LIBOR" for purposes of calculating the interest rate for the Notes for such Interest Period will be determined by the Trustee, as calculation agent (the "Calculation Agent") in accordance with the following provisions:

(i) LIBOR for any Interest Period shall equal the offered rate, as determined by the Calculation Agent, for Dollar deposits in Europe of three months that appears on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates) as of 11:00 a.m. (London time) on the applicable LIBOR Determination Date. "LIBOR Determination Date" means, with respect to any Interest Period, the second London Banking Day prior to the first day of such Interest Period.

(ii) If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), the Calculation Agent shall determine the arithmetic mean of the offered quotations

of the Reference Banks to prime banks in the London interbank market for Dollar deposits in Europe of three months (except that in the case where such Interest Period shall commence on a day that is not a LIBOR Business Day, for the relevant term commencing on the next following LIBOR Business Day), by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such LIBOR Determination Date made by the Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal such arithmetic mean. If, on any LIBOR Determination Date, fewer than two Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Calculation Agent are quoting on the relevant LIBOR Determination Date for Dollar deposits for the term of such Interest Period (except that in the case where such Interest Period shall commence on a day that is not a LIBOR Business Day, for the relevant term commencing on the next following LIBOR Business Day), to the principal London offices of leading banks in the London interbank market.

(iii) In respect of any Interest Period having a Designated Maturity other than three months, LIBOR shall be determined through the use of straight-line interpolation by reference to two rates calculated in accordance with clauses (i) and (ii) above, one of which shall be determined as if the maturity of the Dollar deposits referred to therein were the period of time for which rates are available next shorter than the Interest Period and the other of which shall be determined as if the such maturity were the period of time for which rates are available next longer than the Interest Period; *provided that*, if an Interest Period is less than or equal to seven days, then LIBOR shall be determined by reference to a rate calculated in accordance with clauses (i) and (ii) above as if the maturity of the Dollar deposits referred to therein were a period of time equal to seven days.

(iv) If the Calculation Agent is required but is unable to determine a rate in accordance with either procedure described in clauses (i) and (ii) above, LIBOR with respect to such Interest Period shall be the arithmetic mean of the offered quotations of the Reference Dealers as of 10:00 a.m. (New York time) on the first day of such Interest Period for negotiable U.S. Dollar certificates of deposit of major U.S. money market banks having a remaining maturity closest to the Designated Maturity.

(v) If the Calculation Agent is required but is unable to determine a rate in accordance with any of the procedures described in clauses (i), (ii) or (iv) above, LIBOR with respect to such Interest Period will be calculated on the last day of such Interest Period and shall be the arithmetic mean of the Base Rate for each day during such Interest Period.

For purposes of clauses (i), (iii), (iv) and (v) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point. For the purposes of clause (ii) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one thirty-second of a percentage point.

As used herein:

"Base Rate" means a fluctuating rate of interest determined by the Calculation Agent as being the rate of interest most recently announced by the Base Rate Reference Bank at its New York office as its base rate, prime rate, reference rate or similar rate for Dollar loans. Changes in the Base Rate will take effect simultaneously with each change in the underlying rate.

"Base Rate Reference Bank" means JPMorgan Chase Bank, or if such bank ceases to exist or is not quoting a base rate, prime rate reference rate or similar rate for Dollar loans, such other major money center commercial bank in New York City, as selected by the Calculation Agent.

"Designated Maturity" means, with respect to any Class of Notes, (i) for the first Interest Period, the number of calendar days from, and including the Closing Date to, but excluding, the first Distribution Date, (ii) for each Interest Period after the first Interest Period (other than the Interest Period ending March 10, 2039), three months and (iii) for the Interest Period ending March 10, 2039, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Distribution Date.

"LIBOR Business Day" means a day on which commercial banks and foreign exchange markets settle payments in Dollars in New York and London.

"London Banking Day" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

"Reference Banks" means four major banks in the London interbank market, selected by the Calculation Agent.

"Reference Dealers" means three major dealers in the secondary market for U.S. Dollar certificates of deposit, selected by the Calculation Agent.

For so long as any Note remains outstanding, the Co-Issuers will at all times maintain an agent appointed to calculate LIBOR in respect of each Interest Period. As soon as possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (London time) on the Business Day immediately following each LIBOR Determination Date, the Calculation Agent will calculate the interest rate for the Notes for the related Interest Period and the amount of interest for such Interest Period payable in respect of each U.S.\$1,000 in principal amount of each Class of Notes (in each case rounded to the nearest cent, with half a cent being rounded upward) on the related Distribution Date and will communicate such rates and amounts and the related Distribution Date to the Co-Issuers, the Trustee, each Paying Agent (other than the Preference Share Paying Agent), Euroclear, Clearstream and, for so long as any Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange.

The Calculation Agent may be removed by the Co-Issuers at any time. If the Calculation Agent is unable or unwilling to act as such, is removed by the Co-Issuers or fails to determine the interest rate for any Class of Notes or the amount of interest payable in respect of any Class of Notes for any Interest Period, the Co-Issuers will promptly appoint as a replacement Calculation Agent a leading bank that is engaged in transactions in U.S. Dollar deposits in the international Eurodollar market and which does not control and is not controlled by or under common control with either of the Co-Issuers or any affiliate thereof. The Calculation Agent may not resign its duties without a successor having been duly appointed. The determination of the interest rate for the Notes for each Interest Period by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Principal

The Stated Maturity ("Stated Maturity") of the Notes is March 10, 2039. Each Class of Notes is scheduled to mature at the applicable Stated Maturity unless redeemed or repaid prior thereto. However, the Notes may be paid in full prior to their Stated Maturity. See "Risk Factors—Average Lives, Duration and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations".

Principal Proceeds will be applied on each Distribution Date in accordance with the Priority of Payments to pay principal of each Class of Notes. In addition, Interest Proceeds will be applied to pay principal of the Notes in the following circumstances (subject, in each case, to the Priority of Payments): (a) upon the failure of the Issuer to meet any Coverage Test applicable to any Class of Notes, (b) in the event of a Rating Confirmation Failure, (c) for the payment of Class C Deferred Interest and (d) if on any Distribution Date the Preference Shareholders have received an annualized Dividend Yield of 12% per annum, as provided in paragraph (14) under the heading "Description of the Notes—Priority of Payments—Interest Proceeds".

Any payment of principal with respect to any Class of Notes (including any payment of principal made in connection with an Optional Redemption, Auction Call Redemption or Tax Redemption) will be made by the Trustee on a *pro rata* basis on each Distribution Date among the Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment. The Trustee shall, so long as any Class of Notes is listed on the Irish Stock Exchange, notify the Irish Stock Exchange not later than the second Business Day preceding each Distribution Date of the amount of principal payments to be made on the Notes of each Class on such Distribution Date, the amount of any Class C Deferred Interest, the

aggregate outstanding principal amount of the Notes of each Class and the percentage of the original aggregate outstanding principal amount of the Notes of such Class after giving effect to the principal payments, if any, on such Distribution Date.

Mandatory Redemption

Each Class of Notes shall, on any Distribution Date, be subject to mandatory redemption in the event that any Coverage Test applicable to any Class of Notes is not satisfied on the related Determination Date. Any such redemption will be effected from Interest Proceeds, *first*, to pay principal of each Class of Notes that is Senior to the Class to which the relevant Coverage Test applies, in order of seniority, *then* to pay principal of such Class of Notes to the extent necessary to cause each applicable Coverage Test to be satisfied. Any such redemption will be effected as described below under "—Priority of Payments".

In addition, the Issuer will notify each Rating Agency, the Trustee and each Hedge Counterparty in writing (each notice a "Ramp-Up Notice") of the occurrence of the date that is the earlier of (a) 60 days following the Closing Date and (b) the first day on which the aggregate par amount of the Collateral Debt Securities held by the Issuer, together with the aggregate amount of unpaid interest accrued thereon prior to the respective dates of purchase thereof, is at least equal to U.S.\$300,000,000 (such date, the "Ramp-Up Completion Date") within seven days after the Ramp-Up Completion Date occurs. The Issuer will request that each Rating Agency notify the Issuer within 30 days after receipt of a Ramp-Up Notice and confirm that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any Class of Notes (a "Rating Confirmation"). If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency within such 30-day period, (i) the Issuer will be required on the first Distribution Date after such 30-day period to apply Interest Proceeds and, to the extent that Interest Proceeds are insufficient therefor, Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and *fourth*, the Class C Notes, to the extent necessary to obtain a Rating Confirmation from each Rating Agency and (ii) each Transaction under a Hedge Agreement will be subject to partial termination on the first Distribution Date in respect of a portion of the Notional Amount (as defined in such Hedge Agreement) of such Transaction specified by the Rating Agencies in order to obtain a Rating Confirmation and the then outstanding Notional Amount (as defined in the Confirmation to such Hedge Agreement) will be reduced to reflect such partial termination in accordance with such Confirmation.

If, on any Distribution Date, until the Class C Notes have been paid in full, the Preference Shareholders have received distributions on the Preference Shares sufficient to achieve an annualized Dividend Yield of 12% per annum, any excess amount of Interest Proceeds will be applied to pay principal of the Class C Notes.

Auction Call Redemption

In accordance with the procedures set forth in the Indenture (the "Auction Procedures"), the Trustee shall, at the expense of the Issuer, conduct an auction (an "Auction") of the Collateral Debt Securities if, on or prior to the Distribution Date occurring in March 2012, the Notes have not been redeemed in full. The Auction shall be conducted not later than ten Business Days prior to (1) the Distribution Date occurring in March 2012 and (2) if the Notes are not redeemed in full on the prior Distribution Date, each Distribution Date thereafter until the Notes have been redeemed in full (each such date, an "Auction Date"). Any of the Collateral Manager, the Preference Shareholders, the Trustee or their respective affiliates may, but shall not be required to, bid at the Auction. The Trustee shall sell and transfer all of the Collateral Debt Securities (which may be divided into up to eight subpools) to the highest bidder therefor (or the highest bidder for each subpool) at the Auction *provided* that:

- (i) the Auction has been conducted in accordance with the Auction Procedures;
- (ii) the Trustee has received bids for the Collateral Debt Securities (or for each of the related subpools) from at least two prospective purchasers (including the highest bidder) identified on a list of qualified bidders (such bidders, "Qualified Bidders") provided by the Collateral Manager to the Trustee in accordance with the Indenture;

(iii) the Collateral Manager certifies that the highest bids would result in the sale of all of the Collateral Debt Securities (or the related subpools constituting all of the Collateral Debt Securities) for a purchase price (paid in cash) which together with the balance of all Eligible Investments and cash held by the Issuer (other than Eligible Investments and cash held in any Hedge Counterparty Collateral Account, any Synthetic Security Counterparty Account and any Synthetic Security Issuer Account) will be at least equal to the Total Senior Redemption Amount; and

(iv) the highest bidder(s) enter(s) into a written agreement with the Issuer (which the Issuer shall execute if the conditions set forth above and in the Indenture are satisfied which execution shall constitute certification by the Issuer that such conditions have been satisfied) that obligates the highest bidder (on the highest bidder for each subpool) to purchase all of the Collateral Debt Securities (or the relevant subpool) and provides for payment in full (in cash) of the purchase price to the Trustee on or prior to the sixth Business Day following the relevant Auction Date.

Provided that all of the conditions set forth in clauses (i) through (iv) have been met, the Trustee shall sell and transfer the Collateral Debt Securities (or the related subpool), without representation, warranty or recourse, to such highest bidder (or the highest bidder for each subpool, as the case may be) in accordance with and upon completion of the Auction Procedures. The Trustee shall deposit the purchase price for the Collateral Debt Securities in the Collection Accounts and pay accrued and unpaid expenses, redeem the Notes and make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount sufficient to ensure that the Preference Shareholders shall have received at least the Preference Share Rated Balance (or such lesser amount as is agreed by the Preference Shareholders holding 100% of the Preference Shares at such time) on the Distribution Date immediately following the relevant Auction Date (such redemption, the "Auction Call Redemption").

If any of the foregoing conditions is not met with respect to any Auction or if the highest bidder (or the highest bidder for any subpool, as the case may be) fails to pay the purchase price before the sixth Business Day following the relevant Auction Date, (a) the Auction Call Redemption shall not occur on the Distribution Date following the relevant Auction Date, (b) the Trustee shall give notice of the withdrawal, (c) subject to clause (d) below, the Trustee shall decline to consummate such sale and shall not solicit any further bids or otherwise negotiate any further sale of Collateral Debt Securities in relation to such Auction and (d) unless the Notes are redeemed in full prior to the next succeeding Auction Date, the Trustee shall conduct another Auction on the next succeeding Auction Date.

Optional Redemption and Tax Redemption

Subject to certain conditions described herein, the Issuer may redeem the Notes on any Distribution Date (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of a Majority-in-Interest of Preference Shareholders at the applicable Redemption Price therefor (exclusive of installments of principal and interest due on or prior to such date, provided payment of such amounts shall have been made or duly provided for, to the holders of the Notes as provided in the Indenture), *provided* that no such Optional Redemption may be effected prior to the Distribution Date occurring in March 2007.

In addition, upon the occurrence of a Tax Event and so long as the Tax Materiality Condition is satisfied, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the direction of the holders of a majority in aggregate outstanding principal amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest payable to such Class on any Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Preference Shareholders.

No Optional Redemption, Tax Redemption or Auction Call Redemption may be effected, however, unless proceeds from the sale of Collateral Debt Securities and Eligible Investments, together with all cash credited to the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Interest Reserve Account, the Expense Account and the Payment Account on the relevant Distribution Date,

at least equal the aggregate amount (such amount, the "Total Senior Redemption Amount") necessary on such Distribution Date to:

(a) pay (i) all amounts (including fees and expenses incurred by the Trustee and the Collateral Manager in connection with the sale of the Collateral Debt Securities) due and payable by the Issuer under the Priority of Payments prior to the payment of the Interest Distribution Amount with respect to the Class A-1 Notes and (ii) any accrued and unpaid amounts (including any termination payments and any interest accrued thereon) payable by the Issuer to the Hedge Counterparties pursuant to the Hedge Agreements;

(b) redeem the Notes on the scheduled Redemption Date at the applicable Redemption Prices, together with all accrued interest to the date of redemption and all Class C Deferred Interest;

(c) in the case of an Optional Redemption or Tax Redemption prior to the Distribution Date in March 2012, pay the Collateral Management Fee Makewhole; and

(d) in the case of an Auction Call Redemption, make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount sufficient to ensure that the Preference Shareholders shall have received at least the Preference Share Rated Balance on the scheduled Redemption Date (or such lesser amount as is agreed by the Preference Shareholders holding 100% of the Preference Shares at such time).

Unless a Majority-in-Interest of Preference Shareholders have directed the Issuer to redeem the Preference Shares on such Distribution Date, the amount of Collateral Debt Securities and Eligible Investments sold in connection with such Optional Redemption or Tax Redemption shall not exceed the amount necessary for the Issuer to obtain the Total Senior Redemption Amount. In addition, no Tax Redemption may be effected unless the Tax Materiality Condition is satisfied.

Notwithstanding the immediately preceding paragraph, in connection with any Tax Redemption, holders of at least 100% of the aggregate outstanding principal amount of an Affected Class of Notes may elect to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to holders of such Affected Class (and the Total Senior Redemption Amount will be reduced accordingly).

"Tax Event" means an event that occurs if (i) any obligor (including any Synthetic Security Counterparty) is, or on the next scheduled payment date under any Collateral Debt Security any obligor (including any Synthetic Security Counterparty) will be, required to deduct or withhold from any payment under any Collateral Debt Security to the Issuer for or on account of any tax for whatever reason, and such obligor or Synthetic Security Counterparty is not, or will not be, required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor, Synthetic Security Counterparty or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred, (ii) any jurisdiction imposes net income, profits or a similar tax on the Issuer, (iii) the Issuer is required to deduct or withhold from any payment under any Hedge Agreement for or on account of any tax and is obligated to make a corresponding gross-up payment under such Hedge Agreement or (iv) a Hedge Counterparty under any Hedge Agreement is required to deduct or withhold from any payment under such Hedge Agreement for or on account of any tax but is not obligated to make a corresponding gross-up payment under such Hedge Agreement.

The "Tax Materiality Condition" will be satisfied during any 12-month period if the sum of the following exceeds U.S.\$1,000,000: (i) the aggregate amount deducted or withheld for or on account of any tax by all obligors (including any Synthetic Security Counterparty) from any payment under any Collateral Debt Security (net of any gross-up payment made by such obligor or Synthetic Security Counterparty to the Issuer) and (ii) the aggregate amount of any net income, profits or similar tax imposed on the Issuer and (iii) the aggregate of any amounts required to be paid by the Issuer, and the deficiencies in the amounts received by the Issuer, in each case as a result of any deduction or withholding for or on account of any tax with respect to any payment by the Issuer or any Hedge Counterparty under a Hedge Agreement.

Redemption Procedures

Notice of redemption will be given by first-class mail, postage prepaid, mailed not less than 10 Business Days prior to the date scheduled for redemption (with respect to such Auction Call Redemption, Optional Redemption or Tax Redemption, the "Redemption Date"), to each holder of Notes at such holder's address in the register maintained by the registrar under the Indenture, the Class A-2 Agency and Amending Agreement and each Hedge Counterparty. In addition, the Trustee will, (a) in the case of the Irish Stock Exchange, if and for so long as any Class of Notes to be redeemed is listed on the Irish Stock Exchange, and (b) in the case of any Rating Agency, if and for so long as, any Notes remain outstanding (i) cause notice of such Auction Call Redemption, Optional Redemption or Tax Redemption to be delivered to the Company Announcements Office of the Irish Stock Exchange and to the offices of each Rating Agency not less than 10 Business Days prior to the Redemption Date and (ii) promptly notify the Irish Stock Exchange and each Rating Agency of such Auction Call Redemption, Optional Redemption or Tax Redemption. Notes must be surrendered at the offices of any Paying Agent under the Indenture in order to receive the applicable Redemption Price, unless the holder provides (i) an undertaking to surrender such Note thereafter and (ii) such security or indemnity as may be required by the Co-Issuers or the Trustee to save each of them harmless (which in the case of a holder that is a Qualified Institutional Buyer will not need to be a secured indemnity).

The Notes may not be redeemed pursuant to an Optional Redemption or Tax Redemption unless at least four Business Days before the scheduled Redemption Date, the Collateral Manager shall have furnished to the Trustee evidence, in form satisfactory to the Trustee, that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements with a financial institution or institutions whose long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating from each Rating Agency at least equal to the rating of the Notes or whose short-term unsecured debt obligations have a credit rating of "P-1" by Moody's (and, if rated "P-1", are not on watch for possible downgrade by Moody's) and "A-1" by Standard & Poor's to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all or part of the Collateral Debt Securities at a purchase price, when added to all Eligible Investments maturing on or prior to the scheduled Redemption Date credited to the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Interest Reserve Account, the Expense Account and the Payment Account on the relevant Distribution Date, will equal or exceed the Total Senior Redemption Amount.

Any such notice of redemption may be withdrawn by the Issuer up to the sixth New York Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Class A-2 Agent, each Hedge Counterparty and the Collateral Manager only if the Collateral Manager is unable to deliver the sale agreement or agreements referred to above in form satisfactory to the Trustee. Notice of any such withdrawal shall be given by the Trustee to each holder of Notes at such holder's address in the Note Register maintained by the Note Registrar under the Indenture by overnight courier guaranteeing next day delivery, sent not later than the third Business Day prior to the scheduled Redemption Date. In addition, the Trustee will, if any Class of Notes to have been redeemed was listed on the Irish Stock Exchange, (i) cause notice of such withdrawal to be delivered by the Irish Paying Agent to the Company Announcements Office of the Irish Stock Exchange not less than three Business Days prior to the scheduled Redemption Date and (ii) promptly notify the Irish Stock Exchange of such withdrawal.

Redemption Price

The price payable with respect to any Note (the "Redemption Price") in connection with any Auction Call Redemption, Optional Redemption or Tax Redemption will be (i) an amount equal to (a) the outstanding principal amount of such Note being redeemed (including, in the case of any Class C Note, Class C Deferred Interest) plus (b) accrued interest (including accrued, unpaid and uncapitalized interest on Defaulted Interest, if any) thereon or (ii) any lesser amount agreed to in writing by 100% of the Holders of such Class of Notes.

Cancellation

All Notes that are redeemed or paid and surrendered for cancellation as described herein will forthwith be canceled and may not be reissued or resold.

Payments

Payments in respect of principal of and interest on any Note will be made to the person in whose name such Note is registered fifteen days prior to the applicable Distribution Date (the "Record Date"). Payments on each Note will be payable by wire transfer in immediately available funds to a Dollar account maintained by the holder thereof in accordance with wire transfer instructions received by any paying agent appointed under the Indenture (each, a "Paying Agent") on or before the Record Date or, if no wire transfer instructions are received by a Paying Agent in respect of such Note, by a Dollar check drawn on a bank in the United States mailed to the address of the holder of such Note as it appears on the Note Register at the close of business on the Record Date for such payment. Final payments in respect of principal of the Notes will be made against surrender of such Notes at the office of the Paying Agent.

If any payment on the Notes is due on a day that is not a Business Day, then payment will be made on the next succeeding Business Day with the same force and effect as if made on the date for payment. For this purpose, "Business Day" means a day on which commercial banks and foreign exchange markets settle payments in each of New York City, London and any other city in which the corporate trust office of the Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note.

For so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Co-Issuer will maintain a listing agent and a Paying Agent with respect to such Notes with an office located in Dublin, Ireland.

Except as otherwise required by applicable law, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal of or interest on any Note and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Issuer upon request by the Issuer therefor, and the holder of such Note shall thereafter, as an unsecured general creditor, look to the Issuer or the Co-Issuer for payment of such amounts and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease. The Trustee or the Paying Agent, before being required to make any such release of payment may, at the request of the Issuer, adopt and employ, at the expense of the Issuer, any reasonable means of notification of such release of payment, including mailing notice of such release to holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in monies due and payable but not claimed is determinable from the records of any Paying Agent, at the last address of record of each such holder.

Priority of Payments

With respect to any Distribution Date, collections received on the Collateral during each Due Period will be divided into Interest Proceeds and Principal Proceeds and applied in the priority set forth below under "—Interest Proceeds" and "—Principal Proceeds", respectively (collectively, the "Priority of Payments"). "Due Period" means, with respect to any Distribution Date, the period commencing on the day immediately following the fifth Business Day prior to the preceding Distribution Date (or on the Closing Date, in the case of the Due Period relating to the first Distribution Date) and ending on the fifth Business Day prior to such Distribution Date (without giving effect to any Business Day adjustment thereto), except that, in the case of the Due Period that is applicable to the Distribution Date relating to the Stated Maturity of the Notes, such Due Period shall end on the day preceding the Stated Maturity.

Interest Proceeds. On each Distribution Date, Interest Proceeds with respect to the related Due Period will be distributed in the order of priority set forth below:

- (1) to the payment of taxes and filing and registration fees owed by the Co-Issuers, if any;
- (2) (a) *first*, to the payment to the Trustee an amount not to exceed 0.01% of the average of the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period and the last day of the related Due Period (the "Average Quarterly Asset Amount"), (b) *second*, to the payment, in the following order, to the Trustee, Collateral Administrator, the Preference Share

Paying Agent, the Paying Agents, the Note Registrar, the Class A-2 Agent and the Administrator of accrued and unpaid fees, expenses and indemnification amounts owing to them under the Indenture, the Collateral Administration Agreement, the Preference Share Agency Agreement, the Class A-2 Agency and Amending Agreement and the Administration Agreement, as applicable; (c) *third*, to the payment of other accrued and unpaid administrative expenses of the Co-Issuers (excluding fees and expenses described in clause (a) of this paragraph (2), the Collateral Management Fee and principal of and interest on the Notes but including other amounts for which the Collateral Manager may claim reimbursement pursuant to the Collateral Management Agreement); *provided* that all payments made pursuant to clauses (b) and (c) of this paragraph (2) (together with amounts withdrawn from the Expense Account during the related Due Period to pay Administrative Expenses) do not exceed on such Distribution Date an amount equal to the lesser of (x) U.S.\$62,500 and (y) 0.015% of the Average Quarterly Asset Amount for the related Due Period; and (d) *fourth*, after application of the amounts under clauses (b) and (c) of this paragraph (2), if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.\$100,000, for deposit to the Expense Account such amount as would have caused the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit to equal U.S.\$100,000;

- (3) to the payment to the Collateral Manager of accrued and unpaid Senior Management Fee;
- (4) to the payment of all amounts scheduled to be paid to any Hedge Counterparty pursuant to any Hedge Agreement, together with any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to any Hedge Agreement other than by reason of an "event of default" or "termination event" (other than an "illegality" or "tax event") as to which the Hedge Counterparty party thereto is the "defaulting party" or the sole "affected party" (as each such term is defined in the relevant Hedge Agreement);
- (5) to the payment of accrued and unpaid interest on, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and *third*, the Class B Notes (including Defaulted Interest and any interest thereon);
- (6) (a) if either Class A/B Coverage Test is not satisfied on the related Determination Date and if any Class A Note or Class B Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and, *third*, the Class B Notes, until each of the Class A/B Coverage Tests is satisfied or each such Class is paid in full, and (b) if a Rating Confirmation Failure has occurred, on the first Distribution Date thereafter, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and, *third*, the Class B Notes to the extent necessary in order to obtain a Rating Confirmation with respect to the Class A-1 Notes, Class A-2 Notes and Class B Notes;
- (7) to the payment of accrued and unpaid interest with respect to the Class C Notes (including Defaulted Interest and interest thereon, if any, but excluding any Class C Deferred Interest);
- (8) (a) if either Class C Coverage Test is not satisfied on the related Determination Date and if any Notes remain outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes until each of the Class C Coverage Tests is satisfied or each such Class is paid in full and (b) if a Rating Confirmation Failure has occurred, on the first Distribution Date thereafter, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes, to the extent necessary in order to obtain a Rating Confirmation with respect to the Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes;
- (9) to the payment of the Class C Deferred Interest (in reduction of the principal amount of the Class C Notes);

- (10) to the payment of any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to any Hedge Agreement by reason of an event of default or termination event as to which the related Hedge Counterparty is the "defaulting party" or the sole "affected party";
- (11) to the payment of all other accrued and unpaid administrative expenses of the Co-Issuers (including any accrued and unpaid fees and expenses owing to the Trustee, the Preference Share Paying Agent, the Paying Agents, the Collateral Administrator, the Note Registrar, the Class A-2 Agent and the Administrator under the Indenture, the Collateral Administration Agreement, the Preference Share Agency Agreement, the Class A-2 Agency and Amending Agreement and the Administration Agreement but excluding any Subordinated Collateral Management Fee) not paid pursuant to paragraph (2) above (whether as the result of the limitations on amounts set forth therein or otherwise) and in the same order of priority as specified in paragraph (2) above;
- (12) to the payment to the Collateral Manager of accrued and unpaid Subordinate Management Fee;
- (13) until the Class C Notes have been paid in full, to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount up to the amount necessary for the Preference Shareholders to achieve on such Distribution Date an annualized Dividend Yield of 12% per annum;
- (14) to the payment of principal of the Class C Notes until the Class C Notes have been paid in full; and
- (15) to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares or as a payment on redemption or repurchase of the Preference Shares as provided in the Preference Share Documents.

Principal Proceeds. On each Distribution Date, Principal Proceeds with respect to the related Due Period will be distributed in the order of priority set forth below:

- (1) to the payment of the amounts referred to in paragraphs (1) to (5) under "Priority of Payments—Interest Proceeds" above in the same order of priority specified therein, but only to the extent not paid in full thereunder;
- (2) to the payment of principal of (a) *first*, the Class A-1 Notes until the Class A-1 Notes have been paid in full and (b) *second*, the Class A-2 Notes until the Class A-2 Notes have been paid in full;
- (3) to the payment of principal of the Class B Notes, until the Class B Notes have been paid in full;
- (4) so long as no Class A Notes or Class B Notes are outstanding, to the payment of the amounts referred to in paragraph (7) under "Priority of Payments—Interest Proceeds", but only to the extent not paid in full thereunder;
- (5) to the payment of principal of the Class C Notes (including any Class C Deferred Interest) until the Class C Notes have been paid in full;
- (6) to the payment of amounts referred to in paragraphs (10), (11) and (12) under "Priority of Payments—Interest Proceeds" in the same order of priority therein, but only to the extent not paid thereunder; and
- (7) to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares or as a payment on redemption or repurchase of the Preference Shares as provided in the Preference Share Documents.

Except as otherwise expressly provided in the Priority of Payments, if on any Distribution Date, the amount available in the Payment Account from amounts received in the related Due Period are insufficient to make the full amount of the disbursements required by any paragraph in this section to different Persons, the Trustee will make the disbursements called for by each such paragraph ratably in accordance with the respective amounts of such disbursements then due and payable to the extent funds are available therefor. Any payment of principal of the Class C Notes shall be deemed to be applied first to the portion of principal constituting Class C Deferred Interest.

Any amounts to be paid to the Preference Share Paying Agent pursuant to paragraph (13) or (15) of the "Priority of Payments—Interest Proceeds" or paragraph (7) of the "Priority of Payments—Principal Proceeds" will be released from the lien of the Indenture.

In the event that an Optional Redemption or Tax Redemption occurs on or prior to the Distribution Date in March 2012, or the Notes are redeemed following an Event of Default on or prior to the Distribution Date in March 2012, the amount payable pursuant to paragraph (3) of the "Priority of Payments—Interest Proceeds" shall include the Collateral Management Fee Makewhole.

If the Notes and the Preference Shares have not been redeemed prior to March 2039 it is expected that the Issuer (or the Collateral Manager acting pursuant to the Collateral Management Agreement on behalf of the Issuer) will sell all of the Collateral Debt Securities and all Eligible Investments and sell or liquidate all other Collateral, and all net proceeds from such liquidation and all available cash will be applied to the payment (in the order of priorities set forth above) of all (i) fees, (ii) expenses (including the amounts due to each Hedge Counterparty), (iii) principal of (including, in the case of the Class C Notes, Class C Deferred Interest) and interest (including any Defaulted Interest and interest on Defaulted Interest and interest on any Class C Deferred Interest) on the Notes. Net proceeds from such liquidation and available cash remaining after all payments required pursuant to the Indenture and the payment of the costs and expenses of such liquidation, the establishment of adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer, the payment to the Preference Shareholders of the aggregate liquidation preference of the Preference Shares, the return of U.S.\$1,000 of capital contributed to the Issuer by the owner of the Issuer's ordinary shares and the payment of a U.S.\$1,000 profit fee to the Issuer will be distributed to the Preference Shareholders in accordance with the Issuer Charter.

Certain Definitions

"Account" means any of the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Interest Reserve Account, the Custodial Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account and each Hedge Counterparty Collateral Account.

"Applicable Recovery Rate" means, with respect to any Collateral Debt Security (in the case of a Moody's Rating or Standard & Poor's Rating) on any Measurement Date, the lesser of:

(a) an amount equal to the percentage for such Collateral Debt Security set forth in the Moody's recovery rate matrix set forth in Part I of Schedule A hereto in (x) the table corresponding to the relevant Specified Type of Asset-Backed Security, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the percentage of the Issue of which such Collateral Debt Security is a part relative to the total capitalization of (including both debt and equity securities issued by) the relevant issuer of or obligor on such Collateral Debt Security, determined on the original issue date of such Collateral Debt Security *provided* that if such Collateral Debt Security is a REIT Debt Security, such amount shall be 40% (or 10% in the case of REIT Debt Securities-Health Care or REIT Debt Securities-Mortgage); and

(b) an amount equal to the percentage for such Collateral Debt Security set forth in the Standard & Poor's recovery rate matrix set forth in Part II of Schedule A hereto in (x) the applicable table and (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security on the date such security was

acquired by the Issuer and (z) in the column in such table below the rating as of the Closing Date of the most senior Class of Notes then outstanding.

"Benchmark Rate" means (a) with respect to a Collateral Debt Security that bears interest at a floating rate and pays interest monthly or quarterly, the offered rate for Dollar deposits in Europe of one month or three months (as applicable) that appears on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as of 11:00 a.m. (London time) on the second London Banking Day preceding the date of acquisition of such Collateral Debt Securities and (b) with respect to a Collateral Debt Security that does not bear interest at a floating rate, the yield reported, as of 10:00 a.m. (New York City time) on the second Business Day preceding the date of acquisition of such Collateral Debt Securities, on the display designated as "Page 678" on the Telerate Access Service (or such other display as may replace Page 678 on Telerate Access Service) for actively traded U.S. Treasury securities having a maturity equal to the Weighted Average Life of such Collateral Debt Securities on such date of acquisition.

"Calculation Amount" means, with respect to any Defaulted Security or Deferred Interest PIK Bond at any time, the lesser of (a) the fair market value as determined in accordance with the provisions of the Indenture in U.S. Dollars of such Defaulted Security or Deferred Interest PIK Bond and (b) the Applicable Recovery Rate multiplied by the principal balance of such Defaulted Security or Deferred Interest PIK Bond.

"Class A-2 Agency and Amending Agreement" means the agreement dated as of the Closing Date between the Co-Issuers, the Trustee and the Class A-2 Agent whereby the Class A-2 Agent undertakes to perform certain tasks specified therein on behalf of the Co-Issuers.

"Class A-2 Agent" means Deutsche Bank Trust Company Americas, a New York banking corporation, and any successor appointed as Class A-2 Agent pursuant to the Class A-2 Agency and Amending Agreement.

"Deferred Interest PIK Bond" means a PIK Bond with respect to which payment of interest either in whole or in part has been deferred and capitalized in an amount equal to the amount of interest payable in respect of for the lesser of (a) one payment period and (b) a period of six months, but only until such time as payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments. For the purpose of the Class A/B Overcollateralization Test and Class C Overcollateralization Test only, a PIK Bond with a Moody's Rating of at least "Baa3" will not be a Deferred Interest PIK Bond unless the deferral of payment of interest thereon has occurred for the lesser of (x) two consecutive payment periods and (y) a period of one year.

"Determination Date" means the last day of a Due Period.

"Discount Haircut Amount" means, with respect to any Collateral Debt Security (a) acquired for a purchase price of less than 75% of the par amount thereof and (b) on which the effective yield (as determined by the Collateral Manager) on the date of acquisition thereof by the Issuer is greater than the sum of (i) the relevant Benchmark Rate plus (ii) 3.00%, an amount equal to the excess of (x) the outstanding principal amount of such Collateral Debt Security over (y) the product of such purchase price (expressed as a percentage of par on the date of purchase) multiplied by the outstanding principal amount of such Collateral Debt Security; provided that the Discount Haircut Amount for any such Collateral Debt Security the Fair Market Value of which equals or exceeds 85.0% of its Principal Balance for a period of 60 consecutive Business Days shall be zero.

"Dividend Yield" means, as of any Distribution Date, the per annum rate determined by dividing (a) the aggregate amount distributed on such Distribution Date pursuant to paragraph (13) under "Priority of Payments—Interest Proceeds" above by (b) the aggregate liquidation preference on all outstanding Preference Shares on such Distribution Date as reported to the Trustee by the Administrator and multiplying the result by (c) 360 divided by (d) the number of days during the related Interest Period (calculated on the basis of a year of 360 days and twelve 30-day months).

"Fixed Rate Collateral Debt Security" means any Collateral Debt Security other than a Floating Rate Collateral Debt Security.

"Floating Rate Collateral Debt Security" means a Collateral Debt Security in respect of which interest payable is calculated by reference to a floating interest rate or index.

"Interest Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) all payments of interest on the Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities) received in cash by the Issuer during such Due Period (excluding accrued interest included in Principal Proceeds pursuant to paragraph (8) of the definition of Principal Proceeds); (2) all accrued interest received in cash by the Issuer with respect to Collateral Debt Securities sold by the Issuer (excluding sale proceeds received in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities and accrued interest included in Principal Proceeds pursuant to paragraph (8) of the definition of Principal Proceeds); (3) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments in any Account (except any Hedge Counterparty Collateral Account and any Synthetic Security Counterparty Account) received in cash by the Issuer during such Due Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during such Due Period; (4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with such Collateral Debt Securities and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities and yield maintenance payments included in Principal Proceeds pursuant to paragraph (9) of the definition thereof); (5) all payments received pursuant to the Hedge Agreements (excluding any payments received by the Issuer by reason of an "event of default" or "termination event" (as defined in the relevant Hedge Agreement)) during such Due Period; and (6) all amounts credited to the Expense Account and the Interest Reserve Account that are transferred to the Payment Account for application as Interest Proceeds as described below under "Security for the Notes—The Accounts—Expense Account" and "Security for the Notes—The Accounts—Interest Reserve Account", respectively; *provided* that Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof or (ii) the U.S.\$1,000 of capital contributed by the owners of the ordinary shares of the Issuer in accordance with the Issuer Charter and U.S.\$1,000 representing a profit fee to the Issuer.

"Measurement Date" means any of the following: (i) the Ramp-Up Completion Date; (ii) any date after the Ramp-Up Completion Date upon which the Issuer disposes of any Collateral Debt Security; (iii) any date after the Ramp-Up Completion Date on which a Collateral Debt Security becomes a Defaulted Security or a Deferred Interest PIK Bond; (iv) each Determination Date, (v) the last Business Day of any calendar month (other than the calendar month preceding the month in which a Determination Date occurs and any calendar month prior to and including the month in which the Ramp-Up Completion Date occurs); and (vi) with reasonable notice to the Issuer, the Collateral Manager and the Trustee, any other Business Day that any Rating Agency or the holders of more than 50% of the aggregate outstanding principal amount of any Class of Notes requests be a "Measurement Date"; *provided* that, if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding day that is a Business Day.

"Net Outstanding Portfolio Collateral Balance" means, as of any Measurement Date, an amount equal to (a) the aggregate principal balance as of such Measurement Date of all Collateral Debt Securities plus (b) the aggregate amount of all Principal Proceeds and Uninvested Proceeds held as cash, the aggregate principal balance of all Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds and any amount on deposit at such time in the Principal Collection Account or the Uninvested Proceeds Account (without duplication) minus (c) the aggregate principal balance as of such Measurement Date of all Collateral Debt Securities that are (i) Defaulted Securities or Deferred Interest PIK Bonds or (ii) Equity Securities plus (d) for each Defaulted Security or Deferred Interest PIK Bond, the Calculation Amount with respect to such Defaulted Security or Deferred Interest PIK Bond minus (e) with respect to each Pledge Collateral Debt Security, the greater of (i) the Overcollateralization Haircut Amount and (ii) the Discount Haircut Amount of such Measurement Date for such pledged Collateral Debt Security. For purposes of this definition, the principal balance of certain types of Collateral Debt Securities will be adjusted to reflect haircut percentages that satisfy the criteria of the Rating Agencies. See "—Principal Balance of Collateral Debt Securities" below.

"Overcollateralization Haircut Amount" means, with respect to any date of determination, an amount equal to the sum of:

- (a) the product of (i) 50% and (ii) the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Moody's Rating of "Caa1" or lower;
- (b) the product of (i) 30% and (ii) the excess (if any) of (A) the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Standard & Poor's Rating of "CCC+" or lower over (B) 5% of the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities);
- (c) the product of (i) 20% and (ii) the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Moody's Rating of "B1," "B2" or "B3"; and
- (d) the product of (i) 10% and (ii) the excess (if any) of (A) the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Moody's Rating of "Ba1," "Ba2" or "Ba3" over (B) 10% of the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities).

If a Collateral Debt Security falls within more than one of the four categories described in the foregoing clauses, then such Collateral Debt Security shall be included in the category that results in the greatest Overcollateralization Haircut Amount (and not in any of the three other categories).

"Quarterly Asset Amount" means, with respect to any Distribution Date, the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period or, in the case of the first Due Period, on the Closing Date.

"PIK Bond" means any Collateral Debt Security that, pursuant to the terms of the related Underlying Instruments, permits the payment of interest thereon to be deferred and capitalized as additional principal thereof or that issues identical securities in place of payments of interest in cash.

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) any Uninvested Proceeds credited to the Payment Account on or before the first Distribution Date; (2) all payments of principal of the Collateral Debt Securities and Eligible Investments (including principal payments received in respect of any Synthetic Security Collateral to the extent no longer subject to the security interest of the applicable Synthetic Security Counterparty) received in cash by the Issuer during such Due Period including prepayments made by the issuer thereof prior to the scheduled maturity date thereof or mandatory sinking fund payments, and payments in respect of redemptions, exchange offers, tender offers, recoveries on Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities (other than Uninvested Proceeds and payments of principal of Eligible Investments acquired with Interest Proceeds), the proceeds of a sale of any Equity Security and any amounts received as a result of redemptions, exchange offers, tender offers for any Equity Security received in cash by the Issuer during such Due Period and any other payments or prepayments made by the issuers of Collateral Debt Securities or Eligible Investments prior to the scheduled maturity date therefor; (3) sale proceeds received in cash by the Issuer during such Due Period (including, without limitation, as a result of the sale of any Credit Risk Security or Equity Security but excluding those sale proceeds included in Interest Proceeds as defined above); (4) all payments of principal on Eligible Investments purchased with amounts from the Principal Collection Account or the Uninvested Proceeds Account (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) received in cash by the Issuer during such Due Period; (5) all amendment, waiver, late payment fees and other fees and commissions received in cash by the Issuer during such Due Period in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities; (6) any proceeds resulting from the termination and liquidation of any Hedge Agreement received in cash by the Issuer during such Due Period, to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement in accordance with the requirements of "Security for the Notes – The Hedge Agreements"; (7) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums; (8) all payments of interest received in cash by the Issuer during such Due Period to the extent that they represent accrued interest purchased with

Principal Proceeds; (9) all yield maintenance payments received in cash by the Issuer during such Due Period; (10) all payments of interest on Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities received in cash by the Issuer during such Due Period and any other payments in respect thereof not addressed in clauses (1) through (9) above received in cash by the Issuer during such Due Period; and (11) all other payments received in connection with the Collateral Debt Securities and Eligible Investments that are not included in Interest Proceeds; *provided* that (a) in no event shall Principal Proceeds include the U.S.\$1,000 of capital contributed by the owners of the ordinary shares of the Issuer in accordance with the Issuer Charter or U.S.\$1,000 representing a profit fee to the Issuer.

"Underlying Instruments" means the indenture or other agreement (howsoever described) pursuant to which a Collateral Debt Security, Eligible Investment or Equity Security has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Collateral Debt Security, Eligible Investment or Equity Security or of which holders of such Collateral Debt Security, Eligible Investment or Equity Security are the beneficiaries.

"Uninvested Proceeds" means, at any time, the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Offered Securities, to the extent such proceeds have not theretofore been invested in Collateral Debt Securities; *provided* that any required amounts deposited in a Synthetic Security Counterparty Account shall not constitute "Uninvested Proceeds" for purposes of this definition.

Principal Balance of Collateral Debt Securities

For purposes of determining the Net Outstanding Portfolio Collateral Balance with respect to the application of the Overcollateralization Tests to the Priority of Payments, the principal balance of certain types of Collateral Debt Securities will be adjusted to reflect haircut percentages that satisfy the criteria of the Rating Agencies. See "—Certain Definitions" above.

The Coverage Tests

In addition to the requirements to satisfy the Portfolio Percentage Limitations, the Collateral Quality Tests and the Standard & Poor's CDO Monitor Test as of the Ramp-Up Completion Date, the Issuer is required to satisfy each of the Coverage Tests as of the Ramp-Up Completion Date. The failure so to satisfy any of the Coverage Tests as of the Ramp-Up Completion Date does not constitute an Event of Default but such failure may result in a Rating Agency Confirmation Failure and, consequently, the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. See "Risk Factors—Nature of Collateral" and "Description of the Notes—Mandatory Redemption".

On and after the Ramp-Up Completion Date, the Coverage Tests applicable to a Class of Notes will also be used to determine whether and to what extent Interest Proceeds may be used to pay interest on Classes of Notes Subordinate to such Class and certain other expenses (including the Subordinate Management Fee).

In the event that any Class A/B Coverage Test is not satisfied on any Distribution Date, funds that would otherwise be used to pay interest on the Class C Notes, to make distributions to the Preference Shareholders and to pay certain other expenses must instead be used to pay principal of the Class A Notes and the Class B Notes, to the extent necessary to cause each Class A/B Coverage Test to be satisfied. In the event that either Class C Coverage Test is not satisfied on any Distribution Date, funds that would otherwise be used to make distributions to the Preference Shareholders and to pay certain other expenses must instead be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes, to the extent necessary to cause each Class C Coverage Test to be satisfied. See "—Priority of Payments". For the purpose of determining any payment to be made on any Distribution Date pursuant to any applicable paragraph of "Priority of Payments—Interest Proceeds", any Coverage Test referred to in such paragraph shall be calculated as of the relevant Distribution Date after giving effect to all payments to be made on such Distribution Date prior to such payment in accordance with "Priority of Payments—Interest Proceeds".

The "Class A/B Coverage Tests" will consist of the Class A/B Overcollateralization Test and the Class A/B Interest Coverage Test. The "Class C Coverage Tests" will consist of the Class C Overcollateralization Test and the Class C Interest Coverage Test. For purposes of the Class A/B Coverage Tests and Class C Interest Coverage Tests (collectively, the "Coverage Tests"), unless otherwise specified, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation. None of the Coverage Tests will apply prior to the Ramp-Up Completion Date.

The Class A/B Overcollateralization Test:

The "Class A/B Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance as of such Measurement Date by (b) the aggregate outstanding principal amount of the Class A Notes plus the aggregate outstanding principal amount of the Class B Notes.

The "Class A/B Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B Overcollateralization Ratio as of such Measurement Date is equal to or greater than 104%. It is expected that, on the Ramp-Up Completion Date, the Class A/B Overcollateralization Ratio will be approximately 108.1%.

The Class C Overcollateralization Test:

The "Class C Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance as of such Measurement Date by (b) the aggregate outstanding principal amount of the Class A Notes plus the aggregate outstanding principal amount of the Class B Notes plus the aggregate outstanding principal amount of the Class C Notes (including, without duplication, any Class C Deferred Interest).

The "Class C Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 102.7%. It is expected that, on the Ramp-Up Completion Date, the Class C Overcollateralization Ratio will be approximately 104.7%.

The Interest Coverage Tests:

The Interest Coverage Ratio with respect to the Class A Notes and the Class B Notes (the "Class A/B Interest Coverage Ratio"), or the Class C Notes (the "Class C Interest Coverage Ratio") as of any Measurement Date will be calculated by dividing:

(a) the sum (without duplication) of (i) the scheduled interest payments due (in each case, regardless of whether the due date for any such interest payment has occurred) in the Due Period in which such Measurement Date occurs on (x) the Collateral Debt Securities and (y) any Eligible Investments held in the Accounts (other than amounts held in any Hedge Counterparty Collateral Account that are then due and payable to the related Hedge Counterparty (whether such Eligible Investments were purchased with Interest Proceeds or Principal Proceeds) and each Synthetic Security Counterparty Account (net of any amounts in such Synthetic Security Counterparty Account then payable to the Synthetic Security Counterparty) plus (ii) any fees actually received by the Issuer during such Due Period that constitute Interest Proceeds plus (iii) the amount, if any, paid or scheduled to be paid to the Issuer by the Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreement on the Distribution Date relating to such Due Period minus (iv) the amount, if any, paid or scheduled to be paid with respect to the payment of taxes and filing and registration fees owed by the Co-Issuers on the Distribution Date relating to such Due Period minus (v) the aggregate amount, if any, scheduled to be applied on the Distribution Date relating to such Due Period under paragraphs (2) (excluding sub-clause (d) thereof), (3) and (4) under "Priority of Payments—Interest Proceeds" (to the extent not already deducted pursuant to any other clause of this definition); by

(b) an amount equal to (i) in the case of the Class A/B Interest Coverage Ratio, the scheduled interest on the Class A Notes and Class B Notes (including any Defaulted Interest thereon and any accrued interest on such Defaulted Interest) payable on the Distribution Date immediately following such Measurement Date relating to such Due Period or (ii) in the case of the Class C Interest Coverage Ratio, the scheduled interest on the Class A Notes, the Class B Notes and the Class C Notes (including any Defaulted Interest, interest on Defaulted Interest and interest on Class C Deferred Interest, but excluding any Class C Deferred Interest) payable on the Distribution Date immediately following such Measurement Date relating to such Due Period.

For the purpose of determining compliance with any Interest Coverage Test, there will be excluded all payments in respect of Defaulted Securities, Deferred Interest PIK Bonds and Equity Securities and all other scheduled payments (whether of principal, interest, fees or other amounts) including payments to the Issuer under any Hedge Agreement, as to which the Trustee has actual knowledge will not be received when due. For purposes of calculating any Interest Coverage Ratio, (i) the expected interest income on Floating Rate Collateral Debt Securities, Eligible Investments and under the Hedge Agreements, and the expected interest payable on the Notes will be calculated using the interest rates applicable thereto on the applicable Measurement Date, (ii) accrued original issue discount on Eligible Investments will be deemed to be a scheduled interest payment thereon due on the date such original issue discount is scheduled to be paid, (iii) payments made by the Basis Swap Counterparty pursuant to the Basis Swap will not constitute interest on any Class of Notes and (iv) it will be assumed that no principal payments are made on the Notes during the applicable periods.

The "Class A/B Interest Coverage Test" will be satisfied (a) on any Measurement Date occurring on or after the Ramp-Up Completion Date to and including the Distribution Date in September 2011, if the Class A/B Interest Coverage Ratio as of such Measurement Date is equal to or greater than 110%, and (b) on any Measurement Date occurring thereafter, if the Class A/B Interest Coverage Ratio as of such Measurement Date is equal to or greater than 115%. It is expected that, on the Ramp-Up Completion Date, the Class A/B Interest Coverage Ratio will be approximately 179.1%.

The "Class C Interest Coverage Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C Interest Coverage Ratio as of such Measurement Date is equal to or greater than 107.5%. It is expected that, on the Ramp-Up Completion Date, the Class C Interest Coverage Ratio will be approximately 164.9%.

No Gross-Up

All payments made by the Issuer under the Notes will be made without any deduction or withholding for or on the account of any tax unless such deduction or withholding is required by applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Issuer is so required to deduct or withhold, then the Issuer will not be obligated to pay any additional amounts in respect of such withholding or deduction.

The Indenture

The following summary describes certain provisions of the Indenture. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture.

Events of Default

An "Event of Default" is defined in the Indenture as:

(i) a default in the payment of any accrued interest (A) on any Class A Note or Class B Note or (B) if there are no Class A Notes or Class B Notes outstanding, on any Class C Note when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by

the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, seven days);

(ii) a default in the payment of principal of any Note when the same becomes due and payable at its Stated Maturity or Redemption Date (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of seven days);

(iii) the failure on any Distribution Date to disburse amounts available in the Interest Collection Account or Principal Collection Account in accordance with the order of priority set forth above under "—Priority of Payments" (other than a default in payment described in clause (i) or (ii) above), which failure continues for a period of three Business Days (or, in the case of a failure resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, seven days);

(iv) either of the Co-Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act;

(v) a default in the performance, or breach, of any other covenant or other agreement, (it being understood that a failure to satisfy a Collateral Quality Test, a Coverage Test, the Standard & Poor's CDO Monitor Test, the Portfolio Percentage Limitations or the Eligibility Criteria is not a default or breach) of the Issuer or the Co-Issuer under the Indenture, the breach or violation of which or default under which could reasonably be expected to have a material and adverse effect on the interests of any of the Noteholders or any representation or warranty of the Issuer or the Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days (or, if such default, breach or failure has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 15 days) after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after notice thereof to the Issuer and the Collateral Manager by the Trustee or to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in aggregate outstanding principal amount of Notes of the Controlling Class or by each Hedge Counterparty, in each case, specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture;

(vi) certain events of bankruptcy, insolvency, receivership or reorganization of either of the Co-Issuers (as set forth in the Indenture);

(vii) one or more final judgments being rendered against either of the Co-Issuers that exceed, in the aggregate, U.S.\$1,000,000 (or such lesser amount as Moody's may specify) and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof, and unless (except as otherwise specified in writing by each Rating Agency) the Rating Condition shall have been satisfied; or

(viii) the failure, on any Measurement Date, to cause the Class A/B Overcollateralization Ratio to be equal to or greater than 100% or, on any Measurement Date after the Class A Notes and the Class B Notes have been paid in full, the failure to cause the Class C Overcollateralization Ratio to be equal to or greater than 100%.

If either of the Co-Issuers obtains knowledge, or has reason to believe, that an Event of Default has occurred and is continuing, such Co-Issuer is obligated to promptly notify the Trustee, the Preference Share Paying Agent, the Collateral Manager, the Noteholders, each Hedge Counterparty and each Rating Agency of such Event of Default in writing.

If an Event of Default occurs and is continuing (other than an Event of Default described in clause (vi) under "Events of Default" above), the Trustee (at the direction of the holders of a majority in aggregate outstanding principal amount of the Controlling Class) and otherwise holders of a majority in aggregate outstanding principal amount of the Controlling Class, may declare the principal of and accrued and unpaid interest on all of the Notes to be immediately due and payable. If an Event of Default described in clause (vi) above under "Events of Default" occurs, such an acceleration will occur automatically and without any further action. Notwithstanding the foregoing, if the sole Event of Default is an Event of Default described in clause (i) or clause (ii) above under "Events of Default" with respect to a default in the payment of any principal of or interest on the Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such non-Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable. Any declaration of acceleration may under certain circumstances be rescinded by the holders of at least a majority in aggregate outstanding principal amount of Notes of the Controlling Class. The "Controlling Class" will be the Class A-1 Notes or, if there are no Class A-1 Notes outstanding, the Class A-2 Notes or, if there are no Class A Notes outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes outstanding, the Class C Notes.

If an Event of Default occurs and is continuing when any Note is outstanding, the Trustee will retain the Collateral intact and collect all payments in respect of the Collateral and continue making payments in the manner described under "—Priority of Payments" unless:

(A) the Trustee determines that the anticipated net proceeds of a sale or liquidation of such Collateral would be sufficient to discharge in full the amounts then due and unpaid on the Notes for principal and interest (including Class C Deferred Interest and Defaulted Interest and interest on Defaulted Interest, if any) and all due and unpaid administrative expenses, and any accrued and unpaid amounts payable by the Issuer pursuant to the Hedge Agreements, including termination payments, if any (assuming, for this purpose, that any relevant Hedge Agreement has been terminated by reason of an event of default or termination with respect to the Issuer); or

(B) the holders of at least 66-2/3% in aggregate outstanding principal amount of each Class of Notes voting as a separate Class and each Hedge Counterparty other than any Hedge Counterparty (1) to which no early termination payment would be owing by the Issuer under the related Hedge Agreement or (2) which will be paid in full, in accordance with the Priority of Payments, all amounts owing to it by the Issuer under the related Hedge Agreement), subject to the provisions of the Indenture, authorize the sale of the Collateral.

The holders of a majority in aggregate outstanding principal amount of Notes of the Controlling Class will have the right to direct the Trustee in the conduct of any proceedings for any remedy available to the Trustee, *provided* that (i) such direction will not conflict with any rule of law or the Indenture; (ii) the Trustee may take any other action not inconsistent with such direction; (iii) the Trustee has been provided with indemnity satisfactory to it (and the Trustee need not take any action that it determines might involve it in liability unless it has received such indemnity against such liability); and (iv) any direction to undertake a sale of the Collateral may be made only as described in the preceding paragraph.

Pursuant to the Indenture, as security for the payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer, the Issuer will grant the Trustee a lien on the Collateral, which lien is senior to the lien of the Secured Parties. The Trustee's lien will be exercisable by the Trustee only if the Notes have been declared due and payable following an Event of Default and such acceleration has not been rescinded or annulled.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request of any holders of any of the Notes, unless such holders have offered to the Trustee reasonable security or indemnity.

The holders of a majority in aggregate outstanding principal amount of Notes of the Controlling Class, acting with the consent of each Hedge Counterparty, may, prior to the time a judgment or decree for the

payment of money due has been obtained by the Trustee, waive any past default on behalf of the holders of all the Notes and its consequences, except a default in the payment of the principal of any Note or in the payment of interest (including any Defaulted Interest or interest on Defaulted Interest or, in the case of the Class C Notes, interest on Class C Deferred Interest) on the Class A Notes or Class B Notes or, after the Class A Notes and Class B Notes have been paid in full, the Class C Notes, in respect of a provision of the Indenture that cannot be modified or amended without the waiver or consent of the holder of each outstanding Note affected thereby, or arising as a result of an Event of Default described in clause (vi) above under "Events of Default".

No holder of a Note will have the right to institute any proceeding with respect to the Indenture unless (i) such holder previously has given to the Trustee written notice of an Event of Default, (ii) except in certain cases of a default in the payment of principal or interest, the holders of at least 25% in aggregate outstanding principal amount of the Notes of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such holders have offered the Trustee reasonable indemnity, (iii) the Trustee has for 30 days failed to institute any such proceeding and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class.

If the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of holders of the Notes of the Controlling Class, each representing less than a majority of the Controlling Class, the Trustee shall follow the instructions of the group representing the higher percentage of interest in the Controlling Class.

In determining whether the holders of the requisite percentage of Notes have given any direction, notice or consent, (i) Notes owned by the Issuer, the Co-Issuer or any affiliate thereof shall be disregarded and deemed not to be outstanding and (ii) in relation to any assignment or termination of any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any right to remove the Collateral Manager or terminate the Collateral Management Agreement or approve or object to a replacement officer for a key person), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager, Notes owned by the Collateral Manager or any of its Affiliates, or by any accounts managed by them, shall be disregarded and deemed not to be outstanding. The Collateral Manager and its Affiliates will be entitled to vote Notes owned or controlled by them, and by accounts managed by them, with respect to all matters other than those described in the foregoing clause (ii). For purposes of this paragraph, (a) "control" of a Note shall mean the power, direct or indirect, to control the manner in which the voting power in respect of such Note is exercised, whether by contract or otherwise and (b) the term "Collateral Manager" for purposes of this paragraph includes any successor or successors to TMM.

Notices

Notices to the Noteholders will be given by first-class mail, postage prepaid, to the registered holders of the Notes at their address appearing in the Note Register. For so long as any Class of Notes is listed on the Irish Stock Exchange, and so long as the rules of such exchange so require, notices to the holders of the Notes (other than notices given solely to the holders of the Class A-2 Notes) shall also be given by delivery to the Company Announcements Office of the Irish Stock Exchange.

Modification of the Indenture

With the consent of (x) the holders of not less than a majority in aggregate outstanding principal amount of the outstanding Notes of each Class materially and adversely affected thereby and a Majority-in-Interest of Preference Shareholders (if the Preference Shares are materially and adversely affected thereby) and (y) each Hedge Counterparty materially and adversely affected thereby delivered by each such Hedge Counterparty to the Trustee and the Co-Issuers, the Trustee and Co-Issuers may enter into one or more supplemental indentures to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of such Class or the Preference Shares or the Hedge Counterparties, as the case may be, under the Indenture. Unless notified by holders of a majority in aggregate outstanding principal amount of any Class of Notes, a Majority-in-Interest of Preference Shareholders or any

Hedge Counterparty that such Class of Notes, the Preference Shares or such Hedge Counterparty, as the case may be, will be materially and adversely affected by such change, the Trustee may, consistent with an officer's certificate of the Issuer or an opinion of counsel provided by and at the expense of the party seeking such amendment, determine whether or not such Class of Notes, the Preference Shares or any Hedge Counterparty would be materially and adversely affected by such change (after giving notice of such change to the holders of such Class of Notes, the Preference Shareholders and each Hedge Counterparty). Such determination shall be conclusive and binding on all present and future holders of the Notes, the Preference Shareholders and the Hedge Counterparties.

Notwithstanding the foregoing, the Trustee may not enter into any supplemental indenture without the consent of each holder of each outstanding Note of each Class and each Preference Shareholder (which consent shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained) and each Hedge Counterparty materially and adversely affected thereby if such supplemental indenture (i) changes the Stated Maturity of the principal of or the due date of any installment of interest on any Note, reduces the principal amount thereof or the rate of interest thereon, or the redemption price with respect thereto, changes the earliest date on which the Issuer may redeem any Note, changes the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest on the Notes or distributions on the Preference Shares, changes any place where, or the coin or currency in which, any Note or the principal thereof or interest thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable redemption date) or changes the date on which any distribution in respect of the Preference Shares is payable, (ii) reduces the percentage in aggregate outstanding principal amount of holders of Notes of each Class or the percentage of holders of Preference Shares (as applicable) whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences or to request that the Trustee preserve the Collateral pledged under the Indenture or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture, (iii) impairs or adversely affects the Collateral pledged under the Indenture except as otherwise permitted thereby, (iv) permits the creation of any lien ranking prior to or on a parity with the lien created by the Indenture with respect to any part of the Collateral or terminates such lien on any property at any time subject thereto or deprives the holder of any Note of the security afforded by the lien created by the Indenture, (v) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of the aggregate outstanding amount of holders of Notes of each Class or the percentage of holders of Preference Shares (as applicable) whose consent is required for any action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, (vi) modifies the definition of the term "Outstanding", the definition of the term "Event of Default" or the subordination or priority of payments provisions of the Indenture, (vii) changes the permitted minimum denominations of any Class of Notes, (viii) modifies any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Note or the right of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein or to adversely affect the rights of the Preference Shareholders to the benefit of any provisions for the redemption of the Preference Shares contained therein, or (ix) amends the "non-petition" or "limited recourse" provisions of the Indenture or the Notes. The Trustee may not enter into any supplemental indenture unless the Rating Condition shall have been satisfied with respect to such supplemental indenture or the consent of each adversely affected holder of Notes has been obtained with respect thereto.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of holders of any Notes, the Preference Shareholders or the Hedge Counterparties in order to (i) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Notes, (ii) add to the covenants of the Co-Issuers or the Trustee for the benefit of the holders of all of the Notes or to surrender any right or power conferred upon the Co-Issuers, (iii) convey, transfer, assign, mortgage or pledge any property to the Trustee for the benefit of the Secured Parties, (iv) evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts under the Indenture by more than one Trustee, (v) correct or amplify the description of any property at any time subject to the lien created by the Indenture, or to better assure, convey and confirm unto the Trustee any

property subject or required to be subject to the lien created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien created by the Indenture any additional property, (vi) modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or in accordance with the USA PATRIOT Act, the Proceeds of Criminal Conduct Law (2001 Revision) (enacted in the Cayman Islands), The Money Laundering Regulations (2003 Revision) (enacted in the Cayman Islands) and any other similar applicable laws or regulations or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) correct any inconsistency, defect or ambiguity in the Indenture, (viii) change the percentages in clauses (1) and (2) of the Portfolio Percentage Limitation, (ix) obtain ratings on one or more Classes of the Notes from any rating agency; (x) accommodate the issuance of Preference Shares to be held through the facilities of DTC, Euroclear or Clearstream or otherwise or the listing of the Preference Shares on any exchange or the issuance of additional Preference Shares; (xi) make non-material administrative changes as the Co-Issuers deem appropriate, (xii) avoid imposition of tax on the net income of the Issuer or to avoid the Issuer or the Co-Issuer being required to register as an investment company under the Investment Company Act; (xiii) accommodate the issuance of any Class of Notes as Definitive Notes, (xiv) to correct any manifest error in any provision of the Indenture upon receipt by the Trustee of written direction from the Issuer describing in reasonable detail such error and the modification necessary to correct such error, (xv) conform the Indenture to the final Offering Circular, or (xvi) conform to any requirement for listing the Notes (other than the Class A-2 Notes) on any stock exchange; *provided* that, in each such case, such supplemental indenture would not materially and adversely affect any holder of Notes, any Preference Shareholders or any Hedge Counterparty. Unless notified by (i) holders of a majority in aggregate outstanding principal amount of Notes of any Class or by a Majority-in-Interest of Preference Shareholders that such Class or Preference Shareholders will be materially and adversely affected by such change or (ii) any Hedge Counterparty that such Hedge Counterparty will be materially and adversely affected by such change, the Trustee may rely upon an officer's certificate of the Issuer or an opinion of counsel, provided by and at the expense of the party requesting such supplemental indenture, as to whether the interests of any holder of Notes, Preference Shareholder or Hedge Counterparty would be materially and adversely affected by any such supplemental indenture (after giving notice of such change to each holder of Notes, Preference Shareholder and the Hedge Counterparties). The Trustee may not enter into any supplemental indenture described in clause (vi) or (vii) of this paragraph without the written consent of the Collateral Manager. In addition, the Trustee may not enter into any supplemental indenture without the written consent of the Collateral Manager if such supplemental indenture alters the material rights or obligations of the Collateral Manager in any respect, and the Collateral Manager will not be bound by any such supplemental indenture unless the Collateral Manager has consented thereto. The Trustee shall not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition would not be satisfied; *provided* that the Trustee may, with the consent of the holders of 100% of the aggregate outstanding amount of Notes of each affected Class, enter into any such supplemental indenture notwithstanding that the Rating Condition would not be satisfied with respect to such supplemental indenture provided that notice of such consent is provided to the Rating Agencies. If any of the Notes are then listed on the Irish Stock Exchange, the Trustee will cause notice of any supplemental indenture or modification to the Indenture to be delivered by the Irish Paying Agent to the Company Announcements Office of the Irish Stock Exchange.

Modification of Certain Other Documents

Prior to entering into any amendment to the Collateral Management Agreement, the Collateral Administration Agreement or any Hedge Agreement, the Issuer is required by the Indenture to obtain the written confirmation of each Rating Agency that the entry by the Issuer into such amendment satisfies the Rating Condition. Prior to entering into any waiver in respect of any of the foregoing agreements, the Issuer is required to provide each Rating Agency, the Hedge Counterparties and the Trustee with written notice of such waiver. The amendment to and waiver of provisions of the Collateral Management Agreement are also subject to additional restrictions as described herein under "Collateral Management—Collateral Management Agreement". Each of the Hedge Counterparties will be an express third party beneficiary of the Indenture.

Consolidation, Merger or Transfer of Assets

Except under the limited circumstances set forth in the Indenture, neither the Issuer nor the Co-Issuer may consolidate with, merge into, or transfer or convey all or substantially all of its assets to, any other corporation, partnership, trust or other person or entity.

Petitions for Bankruptcy

The Indenture provides that the holders of the Notes (except with respect to the institution of proceedings following an Event of Default as described herein) agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer or the Co-Issuer before one year and one day have elapsed since the final payments to the holders of the Notes or, if longer, the applicable preference period then in effect.

Satisfaction and Discharge of Indenture

The Indenture will be discharged with respect to the Collateral upon delivery to the Trustee for cancellation of all of the Notes, or, subject to certain limitations, upon deposit with the Trustee of funds sufficient for the payment or redemption of the Notes and the payment by the Co-Issuers of all other amounts due under the Notes, the Indenture, each Hedge Agreement, the Collateral Administration Agreement, the Administration Agreement, the Class A-2 Agency and Amending Agreement, the Irish Paying Agency Agreement and the Collateral Management Agreement.

Trustee

JPMorgan Chase Bank will be the Trustee under the Indenture. The Co-Issuers, the Collateral Manager and their respective affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Co-Issuers. The Trustee and its affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee and/or its affiliates provide services. The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the Issuer has granted to the Trustee a lien senior to that of the Noteholders to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the dollar limitations set forth in the Priority of Payments with respect to any Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. In the Indenture, the Trustee will agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Co-Issuers for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period then in effect, after the payment in full of all of the Notes. Pursuant to the Indenture, the Trustee may resign at any time by providing 30 days' notice and the Trustee may be removed at any time by a majority of any Class of Notes or at any time when an Event of Default shall have occurred and be continuing by a Majority of the Controlling Class. However, no resignation or removal of the Trustee will become effective until the acceptance of appointment by a successor Trustee pursuant to the terms of the Indenture.

Tax Characterization

The Issuer intends to treat the Notes as debt instruments of the Issuer for U.S. Federal, state and local income tax purposes. The Indenture will provide that each holder, by accepting a Note, agrees to such treatment and not to take any action inconsistent with such treatment.

Governing Law

The Indenture, the Notes, the Preference Share Agency Agreement, the Collateral Administration Agreement, each Hedge Agreement, the Class A-2 Agency and Amending Agreement and the Collateral Management Agreement will be governed by, and construed in accordance with, the law of the State of New York.

DESCRIPTION OF THE PREFERENCE SHARES

The Preference Shares will be issued pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter"), certain resolutions of the board of Directors of the Issuer passed on or before the issue of the Preference Shares as memorialised in the board minutes relating thereto (the "Resolutions") and in accordance with a Preference Share Agency Agreement (the "Preference Share Agency Agreement" and, together with the Issuer Charter and the Resolutions, the "Preference Share Documents") between JPMorgan Chase Bank, as Preference Share Paying Agent (in such capacity, the "Preference Share Paying Agent"), the Preference Share Registrar and the Issuer and will be subject to the representations, warranties and certifications contained in the Investor Application Forms for Preference Shares. The following summary describes certain provisions of the Preference Shares, the Preference Share Documents and the representations, warranties and certifications contained in the Investor Application Forms. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Preference Share Documents and the Investor Application Forms for Preference Shares. Copies of the Preference Share Documents and the Investor Application Form for Preference Shares may be obtained by prospective investors upon request in writing to the Preference Share Paying Agent at JPMorgan Chase Bank, 600 Travis Street, 50th Floor, JPMorgan Chase Tower, Houston, Texas 77002.

Status

The Issuer is authorized to issue 10,250 Preference Shares, par value U.S.\$0.01 per share, having a liquidation preference of U.S.\$1,000 per share. The Preference Shares are participating shares in the capital of the Issuer and will rank *pari passu* with respect to distributions.

Distributions

On each Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent after the payment of interest on the Notes and, in certain circumstances, principal due in respect of the Notes and the payment of certain other amounts in accordance with the Priority of Payments, *provided* that on each Distribution Date, until the Class C Notes have been paid in full, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders will be limited to the amount necessary to permit the Preference Shareholders to achieve on such Distribution Date an annualized Dividend Yield of 12% per annum on the aggregate liquidation preference of the Preference Shares. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds".

Any Interest Proceeds permitted to be released from the lien of the Indenture and paid to the Preference Share Paying Agent will be distributed to the Preference Shareholders on each Distribution Date. Until the Notes and certain other amounts have been paid in full, Principal Proceeds are not permitted to be released from the lien of the Indenture and will not be available to make distributions in respect of the Preference Shares. See "Description of the Notes—Interest Proceeds" and "—Principal Proceeds" and "Security for the Notes".

Subject to provisions of The Companies Law (2003 Revision) of the Cayman Islands governing the declaration and payment of dividends, after the Notes and certain other amounts have been paid in full, Interest Proceeds and Principal Proceeds that are released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent on any Distribution Date will be distributed to the Preference Shareholders on such Distribution Date. Cayman Islands law provides that dividends may only be paid by the Issuer if the Issuer has funds lawfully available for such purpose. Dividends may be paid out of profit and out of the Issuer's share premium account (which includes subscription monies in excess of the par value of each share), *provided* that the Issuer is solvent. As a matter of Cayman Islands law, a company is generally deemed to be solvent if it can pay its debts as they fall due.

Distributions on any Preference Share will be made to the person in whose name such Preference Share is registered in the Preference Share Register fifteen days prior to the applicable Distribution Date (the "Record Date"). Payments will be made by wire transfer in immediately available funds to a Dollar account

maintained by the holder thereof appearing in the Preference Share Register in accordance with wire transfer instructions received from such holder by the Preference Share Paying Agent on or before the Record Date or, if no wire transfer instructions are received by the Preference Share Paying Agent, by a Dollar check drawn on a bank in the United States. Final distributions or payments made in the course of a winding up will be made only against surrender of the certificate representing such Preference Shares at the office of the Preference Share Registrar.

Upon liquidation of the Issuer, distributions of property other than cash may be made under certain circumstances specified in the Issuer Charter. The amount of such non-cash distributions will be accounted for at the fair market value, as determined in good faith by the liquidator of the Issuer, of the property distributed. See "—The Issuer Charter—Dissolution; Liquidating Distributions".

If any of the Coverage Tests is not satisfied on the Determination Date related to any Distribution Date, funds that would otherwise be distributed to Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Notes sequentially in direct order of Seniority, to the extent and as described herein. In addition, in the event of a Rating Confirmation Failure, funds that would otherwise be distributed to the Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used instead to repay, on the first Distribution Date, principal of the Notes sequentially in direct order of Seniority, to the extent and as described herein. See "Description of the Notes—Priority of Payments".

Optional Redemption

On any Distribution Date on or after the Distribution Date on which the Notes have been paid in full, the Preference Shares may be redeemed (in whole but not in part) at the direction of a Majority-in-Interest of Preference Shareholders given not less than 45 days prior to such Distribution Date at a redemption price per share equal to (x) the proceeds from the liquidation of the assets of the Issuer minus the costs and expenses of such liquidation minus the amount required to establish adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer minus a payment to the holders of the ordinary shares of the Issuer an amount equal to U.S.\$2.00 per share divided by (y) the number of Preference Shares.

Preference Share Documents

The following summary describes certain provisions of the Preference Share Documents. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Preference Share Documents.

Notices

Notices to the Preference Shareholders will be given by first class mail, postage prepaid, to the registered holders of the Preference Shares at their address appearing in the Preference Share Register.

Voting Rights

Set forth below is a summary of certain matters with respect to which Preference Shareholders are entitled to vote. This summary is not meant to be an exhaustive list, and, subject to representations, warranties and certifications made or deemed to be made by each Preference Shareholder in the Investor Application Forms for Preference Shares (in the case of Original Purchasers of the Preference Shares) and in the transfer certificates (in the case of transferees of Definitive Preference Shares), the Preference Share Documents and The Companies Law (2003 Revision) of the Cayman Islands afford Preference Shareholders of the Issuer the right to vote on matters in addition to those mentioned below.

Redemption of the Notes: On any Distribution Date occurring on or after the Distribution Date in March 2007, the Notes may, subject to satisfaction of certain conditions described herein, be redeemed (in whole or in part) at the direction of a Majority-in-Interest of Preference Shareholders, as described under "Description of the Notes—Optional Redemption and Tax Redemption".

Redemption of the Preference Shares: On any Distribution Date on or after the Distribution Date on which the Notes have been paid in full, the Preference Shares may be redeemed (in whole but not in part) at the direction of a Majority-in-Interest of Preference Shareholders, as described above under "— Optional Redemption".

The Hedge Agreements: Subject to satisfaction of the Rating Condition with respect to such reduction, the Collateral Manager may, on any Distribution Date, reduce the notional amount of any interest rate swap or cap outstanding under a Hedge Agreement upon written notice to the Preference Shareholders, *provided* that a Majority-in-Interest of Preference Shareholders does not object to such reduction within five Business Days after receipt of such notice. In the event of any such reduction, the relevant Interest Rate Hedge Counterparty or the Issuer may be required to make a termination payment in respect of such reduction to the other party.

The Collateral Management Agreement: For a description of certain of the provisions relating to the termination of the Collateral Management Agreement, the objection to the appointment of a replacement Collateral Manager and the objection to a replacement for a certain key individuals associated with the Collateral Manager, see "The Collateral Management Agreement".

The Indenture: The Issuer is not permitted to enter into a supplemental indenture (other than a supplemental indenture that does not require the consent of Noteholders) without the consent of a Majority-in-Interest of Preference Shareholders. The Issuer is not permitted to enter into a supplemental indenture without the consent of the Preference Shareholders holding 100% of the Preference Shares if such supplemental indenture would have the effect of (i) amending the manner in which the proceeds of the Collateral are applied on any Distribution Date (including by amending any provision of the Priority of Payments or the manner in which principal of and interest on any Class of Notes is calculated); (ii) extending the Stated Maturity of any Class of Notes or changing the date on which any distribution in respect of the Preference Shares is payable; (iii) changing the earliest date on which each Class of the Notes may be redeemed; (iv) impairing or adversely affecting the Collateral (except as otherwise expressly permitted by the Indenture); (v) permitting the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any part of the Collateral; or (vi) changing the voting percentages required for any action to be taken, or any consent or waiver to be given, by the Preference Shareholders.

Preference Share Agency Agreement: The Issuer is not permitted to consent to any amendment of the Preference Share Agency Agreement without the consent of the Preference Shareholders holding 100% of the Preference Shares if such amendment would (i) reduce in any manner the amount of, or delay the timing of, or change the allocation of, the payment of any dividends or final distributions on the Preference Shares or (ii) reduce the voting percentage of Preference Shareholders required to consent to any amendment to the Preference Share Agency Agreement that requires the consent of the Preference Shareholders.

Modification of the Issuer Charter

Any modification of the Issuer Charter which adversely affects the rights of the Preference Shareholders will require the affirmative vote of each Preference Shareholder. Each Original Purchaser of a Preference Share by its execution of an Investor Application Form will be deemed to agree to such restriction on modification of the Issuer Charter. Any amendment of the Issuer Charter not in accordance with the provisions of the Indenture will constitute an Event of Default under the Indenture.

Dissolution; Liquidating Distributions

The shareholders of the Issuer may voluntarily wind up the Issuer only by special resolution of the Ordinary Shares (being a resolution passed by a majority of at least $66\frac{2}{3}\%$ of the Ordinary Shares present and entitled to vote at a general meeting of the Issuer). The Share Trustee, as registered holder of the Ordinary Shares under a declaration of trust, has covenanted not to exercise the votes attaching to the Ordinary Shares to wind up the Issuer before one year and one day or, if longer, the

applicable preference period then in effect, after all Notes have ceased to be outstanding and the directors of the Issuer have confirmed to the Share Trustee that the Issuer does not intend to issue any additional Notes.

Consolidation, Merger or Transfer of Assets

Except under the limited circumstances set forth in the Issuer Charter and the Indenture, the Issuer may not consolidate with, merge into, or transfer or convey all or substantially all of its assets to, any other corporation, partnership, trust or other person or entity.

Petitions for Bankruptcy

Each Original Purchaser of Preference Shares will be deemed by its purchase of Preference Shares to covenant that it will not cause the filing of a petition in bankruptcy against the Issuer before one year and one day have elapsed since the payment in full of the Notes or, if longer, the applicable preference period then in effect.

Governing Law

The Preference Share Agency Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Issuer Charter and the Preference Shares will be governed by, and construed in accordance with, the law of the Cayman Islands.

Certain Definitions

As used herein, the following definitions have the following respective meanings:

"Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders holding more than 50% of the outstanding Preference Shares.

"Special-Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders holding at least 66-2/3% of the outstanding Preference Shares.

No Gross-Up

All distributions of dividends and return of capital on the Preference Shares will be made without any deduction or withholding for or on account of any tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Issuer is so required to deduct or withhold, then the Issuer will instruct the Preference Share Paying Agent to make such deduction or withholding and will pay any such withholding taxes in the country of origin, but will not be obligated to pay any additional amounts in respect of such withholding or deduction.

FORM, DENOMINATION, REGISTRATION AND TRANSFER

Form of Offered Securities

Regulation S Global Notes. Notes that are sold or transferred outside the United States to persons that are not U.S. Persons will be represented by one or more permanent global notes (each a "Regulation S Global Note") in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. By acquisition of a beneficial interest in a Regulation S Global Note, any purchaser thereof will be deemed to represent that (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Global Note (or beneficial interest therein).

Restricted Global Notes. Notes that are sold or transferred to a U.S. Person or in the United States in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof will be represented by one or more permanent global notes ("Restricted Global Notes") in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee.

Regulation S Preference Shares. Preference Shares that are sold or transferred outside the United States to persons that are not U.S. Persons ("Regulation S Preference Shares") will be represented by either (i) one or more permanent global preference share certificates (each a "Regulation S Global Preference Share" and, collectively with the Regulation S Global Notes, the "Regulation S Global Securities"; the Regulation S Global Securities and Restricted Global Notes are collectively referred to as the "Global Securities") or (ii) preference share certificates in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof ("Regulation S Definitive Preference Shares"). By acquisition of a Regulation S Preference Share, any purchaser thereof will be required to represent in a transfer certificate (in the case of the Regulation S Definitive Preference Shares) or be deemed to represent (in the case of the Regulation S Global Preference Shares) that (a) it is not a U.S. Person and is purchasing such Regulation S Preference Share for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such Regulation S Preference Share, it will transfer such Regulation S Preference Share to a person that is not a U.S. Person only in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Definitive Preference Share.

Restricted Definitive Preference Shares. Preference Shares that are sold or transferred to a U.S. Person or in the United States in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof will be represented by certificates ("Restricted Definitive Preference Shares"; the Restricted Definitive Preference Shares and Regulation S Definitive Preference Shares are collectively referred to as the "Definitive Preference Shares") in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof.

Clearing Systems. Beneficial interests in each Global Security will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream International ("Clearstream"). Transfers between members of, or participants in, DTC (each a "Participant") will be effected in the ordinary way in accordance with the Applicable Procedures and will be settled in immediately available funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. See "Clearing Systems".

Transfer of Global Securities to Definitive Securities. Owners of beneficial interests in Global Securities will be entitled or required, as the case may be, under certain limited circumstances described under "Clearing System—Transfers and Exchanges for Definitive Securities", to receive physical delivery of Definitive Preference Shares or certificated Notes ("Definitive Notes"; the Definitive Notes and Definitive Preference

Shares are collectively referred to as the "Definitive Securities"), in each case, in definitive, fully registered form. Definitive Notes issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons are referred to herein as "Regulation S Definitive Notes" and Regulation S Definitive Notes and Regulation S Definitive Preference Shares are referred to herein as "Regulation S Definitive Securities". Definitive Notes issued to U.S. Persons or in the United States in reliance upon an exemption from the registration requirements of the Securities Act are referred to herein as "Restricted Definitive Notes" and Restricted Definitive Notes and Restricted Definitive Preference Shares are referred to herein as "Restricted Definitive Securities". Restricted Definitive Securities and Restricted Global Notes are herein referred to as "Restricted Securities". Regulation S Definitive Securities and Regulation S Global Securities are herein referred to as "Regulation S Securities". No owner of a beneficial interest in a Regulation S Global Security will be entitled to receive a Regulation S Definitive Security unless such person provides written certification that such Regulation S Definitive Security is beneficially owned by a person that is not a U.S. Person and is not held for the account or benefit of a U.S. Person. No owner of a beneficial interest in a Restricted Global Security will be entitled to receive a Restricted Definitive Security unless such person provides written certification that such Restricted Definitive Security is beneficially owned by a U.S. Person or in the United States in reliance upon an exemption from the registration requirements of the Securities Act.

Transfer Restrictions. The Offered Securities are subject to the restrictions on transfer set forth herein under "Transfer Restrictions" and the Indenture or the Preference Share Documents, as applicable, and will bear a legend setting forth such restrictions. See "Transfer Restrictions". The Issuer may impose additional restrictions on the transfer of Securities in order to comply with the USA PATRIOT Act, to the extent it is applicable to the Issuer.

Transfer and Exchange of Notes

Regulation S Global Note to Restricted Global Note. Transfers by a holder of a beneficial interest in a Regulation S Global Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Restricted Global Note will be made (a) only in accordance with the Applicable Procedures and (b) upon receipt by the Note Registrar of written certifications from each of the transferor and the transferee of the beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made:

- (i) to a transferee that (A) is both (1) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (2) a Qualified Purchaser and (B) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle); and
- (ii) in accordance with all other applicable securities laws of any relevant jurisdiction.

Regulation S Global Note to Regulation S Global Note. The holder of a beneficial interest in a Regulation S Global Note may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Note without the provision of written certification. Any such transfer may only be made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and any such transfer may only be effected in an offshore transaction in accordance with Regulation S and only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions".

Restricted Global Note to Regulation S Global Note. Transfers by a holder of a beneficial interest in a Restricted Global Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Note will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the Note Registrar of written certification from each of the transferor and the transferee in the form provided in the Indenture to the effect that, among other things, such transfer is being made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and that such transfer is being effected in an offshore transaction in accordance with Regulation S and in accordance with all other applicable securities laws of any relevant jurisdiction.

Restricted Global Note to Restricted Global Note. The holder of a beneficial interest in a Restricted Global Note may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Restricted Global Note without the provision of written certification. Any such transfer may only be made (i) to a transferee that (A) is both (1) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (2) a Qualified Purchaser and (B) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (ii) only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions".

Definitive Note to Global Note. Exchanges or transfers by a holder of a Definitive Note to a transferee who takes delivery of such Note in the form of a beneficial interest in a Global Note will be made only in accordance with the Applicable Procedures, and upon receipt by the Note Registrar of written certifications from each of the transferor and the transferee in the form provided in the Indenture.

Definitive Note to Definitive Note. Definitive Notes may be exchanged or transferred in whole or in part in the principal amount of authorized denominations by surrendering such Definitive Notes at the office of the Note Registrar or any Transfer Agent with a written instrument of transfer and written certification from each of the transferor and the transferee in the form provided in the Indenture. With respect to any transfer of a portion of a Definitive Note, the transferor will be entitled to receive a new Definitive Note representing the principal amount retained by the transferor after giving effect to such transfer. Definitive Notes issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the applicable Transfer Agent. Definitive Notes issued upon any exchange or registration of transfer of securities shall be valid obligations of the Co-Issuers, evidencing the same debt, and entitled to the same benefits, as the Definitive Notes surrendered upon exchange or registration of transfer.

Transfer and Exchange of Preference Shares

Regulation S Global Preference Share or Regulation S Definitive Preference Share to Restricted Definitive Preference Share. Transfers by a holder of a beneficial interest in a Regulation S Global Preference Share or a Regulation S Definitive Preference Share to a transferee who takes delivery of a Restricted Definitive Preference Share will be made (a) in the case of a transfer by a holder of a beneficial interest in a Regulation S Global Preference Share, only in accordance with the Applicable Procedures and (b) in either case, upon receipt by the Preference Share Transfer Agent of written certifications from each of the transferor and the transferee of such beneficial interest in the form provided in the Preference Share Agency Agreement to the effect that, among other things, such transfer is being made:

(i) to a transferee that (A) is both (1) either (x) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (y) entitled to take delivery of such Restricted Definitive Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (2) a Qualified Purchaser and (B) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle); and

(ii) in accordance with all other applicable securities laws of any relevant jurisdiction.

Regulation S Global Preference Share to Regulation S Global Preference Share. The holder of a beneficial interest in a Regulation S Global Preference Share may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Preference Share without the provision of written certification. Any such transfer may only be made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and any such transfer may only be effected in an offshore transaction in accordance with Regulation S and only in

accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions", including the representation that it is not a Benefit Plan Investor.

Definitive Preference Share to Regulation S Global Preference Share. Transfers or exchanges by a holder of a Definitive Preference Share to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Preference Share will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the Preference Share Transfer Agent of written certification from each of the transferor and transferee in the form provided in the Preference Share Agency Agreement to the effect that, among other things, such transfer is being made to a person that is not a U.S. Person, that is not a Benefit Plan Investor and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and that such transfer is being effected in an offshore transaction in accordance with Regulation S.

Definitive Preference Share to Definitive Preference Share. Definitive Preference Shares may be exchanged or transferred in whole or in part in numbers not less than the applicable minimum trading lot by surrendering such Definitive Preference Shares at the office of the Preference Share Registrar or the Preference Share Transfer Agent with a written instrument of transfer and written certification from each of the transferor and the transferee in the form provided in the Preference Share Agency Agreement. With respect to any transfer of a portion of Definitive Preference Shares, the transferor will be entitled to receive new Restricted Definitive Preference Shares or Regulation S Definitive Preference Shares, as the case may be, representing the principal amount retained by the transferor after giving effect to such transfer. Definitive Preference Shares issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Preference Share Transfer Agent.

Definitive Preference Shares issued upon any exchange a registration of transfer of securities shall represent the same interests, and be entitled to the same benefits, as the Definitive Preference Shares surrendered upon exchange or registration of transfer. No Definitive Preference Shares may be transferred to Benefit Plan Investors after the Closing Date.

General

Note Registrar and Transfer Agent. Pursuant to the Indenture, JPMorgan Chase Bank has been appointed and will serve as the registrar with respect to the Notes (in such capacity, the "Note Registrar") and will provide for the registration of Notes and the registration of transfers of Notes in the register maintained by it (the "Note Register"). JPMorgan Chase Bank has been appointed as a transfer agent with respect to the Notes (each, in such capacity, a "Transfer Agent"). The Note Registrar will effect transfers between Global Notes and, along with the Transfer Agent, will effect exchanges and transfers of Definitive Notes. In addition, the Note Registrar will maintain in the Note Register records of the ownership, exchange and transfer of any Note in definitive form. Transfers of beneficial interests in Global Notes will be effected in accordance with the Applicable Procedures.

Preference Share Registrar and Transfer Agent. JPMorgan Chase Bank has been appointed as transfer agent with respect to the Preference Shares (the "Preference Share Transfer Agent"). The Administrator has been appointed as the Preference Share Registrar. The Preference Share Registrar will provide for the registration of Preference Shares and the registration of transfers of Preference Shares in the register maintained by it (the "Preference Share Register"). Written instruments of transfer are available at the office of the Issuer and the office of the Preference Share Transfer Agent. The Preference Share Registrar and the Preference Share Transfer Agent will effect exchanges and transfers of Preference Shares. In addition, the Preference Share Registrar will maintain in the Preference Share Register records of the ownership, exchange and transfer of the Preference Shares in definitive form. Transfers of beneficial interests in Regulation S Global Preference Shares will be effected in accordance with the Applicable Procedures. No Definitive Preference Shares may be transferred to Benefit Plan Investors after the Closing Date.

Charge. No service charge will be made for exchange or registration of transfer of any Security but the Trustee (or, in the case of a Preference Share, the Preference Share Transfer Agent on behalf of the Preference

Share Registrar) may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

Minimum Denomination or Number. The Notes (other than the Class A-2 Notes) will be issuable in minimum denominations of U.S.\$1,000,000 and will be offered only in such minimum denomination or an integral multiple of U.S.\$1,000 in excess thereof. The Class A-2 Notes will be issuable in minimum denominations of U.S.\$100,000 and will be offered only in such minimum denomination or an integral multiple of U.S.\$25,000 in excess thereof. After issuance, (i) a Note may fail to be in compliance with the minimum denomination and integral multiple requirements stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) Class C Notes may fail to be in an amount which is an integral multiple of U.S.\$1,000 due to the addition to the principal amount thereof of Class C Deferred Interest. Preference Shares will be issuable in minimum lots of 250 Preference Shares (and increments of one Preference Share in excess thereof), provided that, with the consent of the Issuer, at any time up to five investors in Preference Shares may hold not less than 100 Preference Shares. Preference Shares may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own less than 250 Preference Shares, provided that existing Holders of less than 250 Preference Shares may transfer all (but not less than all) of the Preference Shares held by them.

USE OF PROCEEDS

The gross proceeds from the issuance of the Offered Securities will be approximately U.S.\$296,750,000. The net proceeds from the issuance of the Offered Securities, together with any up-front payments received from the initial Hedge Counterparties on the Closing Date in connection with the initial Hedge Agreements, will be approximately U.S.\$296,600,000 after payment of organizational and structuring fees and expenses of the Co-Issuers, including, without limitation (i) the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities included in the Collateral on the Closing Date, (iii) the expenses of offering the Offered Securities (including placement agency fees and structuring fees), (iv) the initial deposits into the Expense Account and the Interest Reserve Account of U.S.\$100,000 and U.S.\$50,000 respectively and (v) any upfront payments or other costs of entry made by the Issuer in respect of the initial Hedge Agreements. Such net proceeds will be used by the Issuer to purchase a diversified portfolio of interests in (a) Asset-Backed Securities and (b) Synthetic Securities referencing Asset-Backed Securities, in each case satisfying the investment criteria described herein. On the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate principal balance of not less than U.S.\$265,000,000. Any such proceeds not invested in Collateral Debt Securities or deposited into the Expense Account or the Interest Reserve Account will constitute Uninvested Proceeds (other than any required amounts deposited in a Synthetic Security Counterparty Account) and will be deposited by the Trustee in the Uninvested Proceeds Account and invested in Eligible Investments pending the use of such proceeds for the purchase of Collateral Debt Securities prior to the Ramp-Up Completion Date, as described herein, and, in certain limited circumstances described herein, for the payment of the Notes. The Issuer expects that, no later than the 60th day following the Closing Date, it will have purchased additional Collateral Debt Securities having an aggregate par amount of approximately U.S.\$300,000,000. Following the Ramp-Up Completion Date any Uninvested Proceeds remaining in the Uninvested Proceeds Account will be transferred to the Principal Collection Account for application as Principal Proceeds on the first Distribution Date. See "Security for the Notes".

RATINGS OF THE OFFERED SECURITIES

It is a condition to the issuance of the Offered Securities that the Class A Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), that the Class B Notes be rated no lower than "Aa2" by Moody's and no lower than "AA" by Standard & Poor's, that the Class C Notes be rated no lower than "Baa2" by Moody's and no lower than "BBB" by Standard & Poor's and that the Preference Shares will be rated no lower than "BB-" by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The ratings assigned to the Notes by Moody's address the ultimate payment of principal of and interest on the Notes. The ratings assigned to the Notes by Standard & Poor's address the timely payment of interest on, and ultimate payment of principal of, the Notes. The ratings assigned to the Preference Shares by Standard & Poor's (a) address only the ultimate receipt of the initial Preference Share Rated Balance, (b) will not at any time address the timely receipt of any payments, including payments on redemption or repurchase of the Preference Shares or any other distributions thereon, (c) will be monitored by each Rating Agency on an ongoing basis and (d) will take into consideration the then-prevailing Preference Share Rated Balance. The Preference Share Rated Balance may at any time be less than the aggregate liquidation preference of the Preference Shares.

The "Preference Share Rated Balance" means an amount equal to (i) on the Closing Date, the aggregate capital contribution represented by the Preference Shares and (ii) on any Distribution Date, the Preference Share Rated Balance on the immediately preceding Distribution Date (or, if there is no such date, on the Closing Date), decreased by the aggregate amount of all cash distributions in respect of the Preference Shares payable to the Preference Shareholders on such current Distribution Date.

The Issuer will request that each Rating Agency provide a Rating Confirmation no later than 30 days after receiving a Ramp-Up Notice. In the event of a Rating Confirmation Failure, the Issuer will on the first Distribution Date prepay principal of the Notes as and to the extent necessary for each of Moody's and Standard & Poor's to confirm the rating assigned by it on the Closing Date to each Class of Notes. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments".

To the extent required by applicable stock exchange rules, the Co-Issuers will inform any such exchange on which any of the Notes are listed if any rating assigned by Moody's or Standard & Poor's to such Notes is reduced or withdrawn.

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes is March 10 2039. The Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. However, the average lives of the Notes and the Macaulay duration of the Preference Shares may be less than the number of years until the Stated Maturity of the Notes. Based on the portfolio of Collateral Debt Securities that the Collateral Manager expects the Issuer to have purchased by the Closing Date, assuming (a) no Collateral Debt Securities default or are sold, (b) all Uninvested Proceeds are used by the Issuer to acquire additional Collateral Debt Securities prior to the 60th day following the Closing Date, (c) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms, (d) all outstanding Notes are redeemed on the Distribution Date occurring in March 2012 and (e) LIBOR for each future Interest Period equals the rate for such Interest Period based on the zero coupon swap curve with such rate initially to be equal to approximately 1.13%, (i) the average life of the Class A-1 Notes would be approximately 4.1 years from the Closing Date, (ii) the average life of the Class A-2 Notes would be approximately 7.6 years from the Closing Date, (iii) the average life of the Class B Notes would be approximately 8.0 years from the Closing Date, (iv) the average life of the Class C Notes would be approximately 6.7 years from the Closing Date, and (v) the Macaulay duration of the Preference Shares would be approximately 5.5 years from the Closing Date. Such average lives of the Notes and the Macaulay duration of the Preference Shares are presented for illustrative purposes only. Although the Collateral Manager prepared the list identifying the portfolio of Collateral Debt Securities that it expects the Issuer to purchase by the 60th day following the Closing Date based upon its experience and expertise as a manager of Asset-Backed Securities, the assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Notes and the Macaulay duration of the Preference Shares are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, the acquisition of Collateral Debt Securities prior to the Ramp-Up Completion Date, defaults, recoveries, sales, prepayments or optional redemptions to which the Collateral Debt Securities may be subject. Actual experience as to these matters will differ, and may differ materially, from that assumed in calculating the illustrative average lives and the Macaulay duration set forth above, and consequently the actual average lives of the Notes and the Macaulay duration of the Preference Shares will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Notes and the Macaulay duration of the Preference Shares and, accordingly, their own evaluation of the merits and risks of an investment in the Notes or the Preference Shares. See "Risk Factors—Projections, Forecasts and Estimates".

Average life refers to the average number of years that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor. The "Macaulay duration" is the weighted average term-to-maturity (expressed in years) of the cash flows in respect of the Preference Shares, where the weights are the present values of each cash flow as a percentage of the present value of all cash flows to the Preference Shareholders. The cash flows are discounted at the internal rate of return to the Preference Shareholders for that scenario.

The average lives of the Notes and the Macaulay duration of the Preference Shares will be determined by the amount and frequency of principal payments, which are dependent upon any payments received at or in advance of the scheduled maturity of Collateral Debt Securities (whether through prepayment, sale, maturity, redemption, default or other liquidation or disposition). The actual average lives of the Notes and the Macaulay duration of the Preference Shares will also be affected by the financial condition of the obligors of the underlying Collateral Debt Securities and the characteristics of such obligations, including the existence and frequency of exercise of any optional or mandatory redemption or prepayment features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, and the frequency of tender or exchange offers for such Collateral Debt Securities. Any disposition of a Collateral Debt Security may change the composition and characteristics of the Collateral Debt Securities and the rate of payment thereon, and, accordingly, may affect the actual average lives of the Notes and the Macaulay duration of the Preference Shares. The rate of future defaults and the amount and timing of any cash realization from

Defaulted Securities also will affect the average lives of the Notes and the Macaulay duration of the Preference Shares.

THE CO-ISSUERS

General

The Issuer was incorporated as an exempted company and registered on February 4, 2004 in the Cayman Islands pursuant to the Issuer Charter, has a registered number of 131982 and is in good standing under the laws of the Cayman Islands. The registered office of the Issuer is at the offices of Maples Finance Limited, PO Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Issuer has no prior operating experience other than in connection with the acquisition of certain Collateral Debt Securities prior to the issuance of the Offered Securities and the engagement of the Collateral Manager and the entering into of arrangements with respect thereto, and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Notes, the Issuer's obligations under each Hedge Agreement and the Issuer's obligations to the Trustee. The entire authorized share capital of the Issuer will consist of (a) 1,000 ordinary shares, par value U.S.\$1.00 per share (which will be held in trust for charitable purposes by Maples Finance Limited in the Cayman Islands (in such capacity, the "Share Trustee") under the terms of a declaration of trust) and (b) 10,250 Preference Shares, par value U.S. \$0.01 per share, having a liquidation preference of U.S.\$1,000 per share.

The Co-Issuer was incorporated on February 19, 2004 under the law of the State of Delaware with the state identification number 3766646 and its registered office is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. The sole director and officer of the Co-Issuer is Donald J. Puglisi and he may be contacted at Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711. The Co-Issuer has no prior operating experience. It will not have any assets (other than its U.S.\$1,000 of share capital owned by the Issuer) and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer and will have no claim against the Issuer with respect to the Collateral Debt Securities or otherwise.

The Notes are obligations only of the Co-Issuers, and none of the Notes are obligations of the Trustee, the Share Trustee, the Administrator, the Collateral Manager, the Initial Purchaser or any of their respective affiliates or any directors or officers of the Co-Issuers.

Maples Finance Limited will act as the administrator (in such capacity, the "Administrator") of the Issuer. The office of the Administrator will serve as the general business office of the Issuer. Through this office and pursuant to the terms of an agreement by and between the Administrator and the Issuer (the "Administration Agreement"), the Administrator will perform various management functions on behalf of the Issuer, including communications with the general public and the provision of certain clerical, administrative and other services until termination of the Administration Agreement. In consideration of the foregoing, the Administrator will receive various fees and other charges payable by the Issuer at rates provided for in the Administration Agreement and will be reimbursed for expenses.

The activities of the Administrator under the Administrator Agreement will be subject to the overview of the board of directors of the Issuer. The directors of the Issuer are Phillipa White, Wendy Ebanks and Guy Major, each of whom is an officer of the Administrator. The directors may be contacted at the address of the Administrator set forth below. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 3 months' written notice, or in certain limited circumstances upon 14 days' notice, in which case a replacement Administrator would be appointed.

The Administrator's principal office is at PO Box 1093GT, Queensgate House, George Town, Grand Cayman, Cayman Islands.

Capitalization and Indebtedness of the Issuer

The initial capitalization of the Issuer as of the Closing Date, after giving effect to the issuance of the Offered Securities and the ordinary shares of the Issuer but before deducting expenses of the offering of the Offered Securities and organizational expenses of the Co-Issuers, is expected to be as follows:

Class A-1 Notes	U.S.\$190,000,000
Class A-2 Notes	U.S.\$44,000,000
Class B Notes	U.S.\$43,500,000
Class C Notes	U.S.\$9,000,000
Total Debt	U.S.\$286,500,000
Ordinary Shares	U.S.\$1,000
Preference Shares	U.S.\$10,250,000
Total Equity	U.S.\$10,251,000
Total Capitalization	U.S.\$296,751,000

As of the Closing Date and after giving effect to the issuance of the Preference Shares, the authorized and issued share capital of the Issuer will be 1,000 ordinary shares, par value U.S.\$1.00 per share, and 10,250 Preference Shares, par value U.S.\$0.01 per share, having a liquidation preference of U.S.\$1,000 per share.

The Issuer will not have any material assets other than the Collateral.

The Co-Issuer will be capitalized only to the extent of its U.S.\$1,000 of share capital which will be legally owned and held on charitable trust by the Share Trustee together with the Issuer's Ordinary Shares under the terms of the declaration of trust described above. The Co-Issuer will have no assets other than its share capital and will have no debt other than as Co-Issuer of the Notes. As of the Closing Date and after giving effect to the issuance of the Co-Issuer's shares, the authorized and issued share capital of the Co-Issuer is 1,000 common shares, par value U.S.\$1.00 per share.

Business

The Indenture provides that the activities of the Issuer are limited to (1) acquisition and disposition of, and investment in, Collateral Debt Securities, Equity Securities and Eligible Investments, (2) the entering into of, and the performance of its obligations under, the Indenture, each Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Class A-2 Agency and Amending Agreement, the Purchase Agreement, the Administrative Agency Agreement and the Preference Share Agency Agreement, (3) the issuance and sale of the Offered Securities and the Issuer's Ordinary Shares, (4) the pledge of the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties and (5) other activities incidental thereto.

The Issuer has no employees and no subsidiaries other than the Co-Issuer. Article III of the Co-Issuer's Certificate of Incorporation states that the Co-Issuer will not undertake any business other than the issuance of the Notes.

SECURITY FOR THE NOTES

General

The Notes (together with the Issuer's obligations to the Secured Parties other than the Noteholders) will be secured by (i) the Custodial Account and all Collateral Debt Securities and Equity Securities credited thereto, (ii) the Payment Account, the Collection Accounts, the Expense Account, the Interest Reserve Account, the Uninvested Proceeds Account, each Hedge Counterparty Collateral Account and each Synthetic Security Issuer Account, all amounts credited to such accounts, and all Eligible Investments purchased with funds credited to such accounts, (iii) the rights of the Issuer under each Hedge Agreement, (iv) the Issuer's right to any income from the investment of funds in any Synthetic Security Counterparty Account, (v) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Purchase Agreement, the Administration Agreement and the Investor Application Forms and (vi) all proceeds of the foregoing (collectively, the "Collateral").

Collateral Debt Securities

General

"Collateral Debt Security" means (i) any Asset-Backed CDO Security or Other ABS Security that satisfies each of the Eligibility Criteria when purchased by the Issuer, (ii) any Synthetic Security the Reference Obligation(s) of which, and any Deliverable Obligation(s) under which, are Asset-Backed CDO Securities or Other ABS that would satisfy paragraphs (1) through (4) and (6) through (18) under "Security for the Notes—Eligibility Criteria" and (iii) any Synthetic Security (x) which satisfies each of the Eligibility Criteria when purchased by the Issuer and (y) the Reference Obligation of which is a pool of mortgage loans.

Certain Definitions

"Asset-Backed CDO Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio consisting primarily of other Asset-Backed Securities, generally having the following characteristics: (1) the debt securities have varying contractual maturities; (2) the securities are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of securities bearing interest at a fixed rate, such securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional debt securities.

"Deliverable Obligation" means a debt obligation that is delivered to the Issuer upon the occurrence of a "credit event" under a Synthetic Security.

"Other ABS " means (i) a security (other than an Asset-Backed CDO Security) issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of receivables, debt obligations, debt securities, finance leases or other financial assets subject to specified acquisition or investment and management criteria, (ii) a REIT Debt Security or (iii) a beneficial interest in a trust all of the assets of which would satisfy the Eligibility Criteria.

"Reference Obligation" means (i) any Collateral Debt Security that is an Asset-Backed CDO Security or an Other ABS in respect of which the Issuer has obtained a Synthetic Security and which (a) does not have a rating by Standard & Poor's that includes a subscript and (b) if purchased by the Issuer, would satisfy paragraphs (1) through (4), (6) through (18) of the Eligibility Criteria and (1) through (16) of the Portfolio Percentage Limitations or (ii) a pool of mortgage loans in respect of which the Issuer has obtained a Synthetic Security and such Synthetic Security satisfies paragraphs (1) through (18) of the Eligibility Criteria.

"Reference Obligor" means the obligor on a Reference Obligation.

"Synthetic Security" means any derivative instrument (including, without limitation, any credit default swap or credit-linked note), structured note or trust certificate that provides for payments closely correlated to the default, recovery upon default and other loss characteristics of one or more Asset-Backed CDO Securities or Other ABS or a pool of mortgage loans, but that may provide for payments based on a maturity shorter than or a principal amount, interest rate, currency or other non-credit term different from that of the Reference Obligation(s); *provided* that (a) any "credit event" under any Synthetic Security shall not include restructuring, repudiation, moratorium, obligation default or obligation acceleration with respect to the related Reference Obligor(s) or Reference Obligation(s) unless such Synthetic Security may be settled only through a physical settlement of one or more Deliverable Obligation(s) to the Issuer, and not in cash and (b) if such Synthetic Security provides for physical settlement, such Synthetic Security provides (or contains a warranty by the Synthetic Security Counterparty) that delivery of any Deliverable Obligation(s) thereunder to the Issuer and transfer of such Deliverable Obligation(s) by the Issuer to a third party will not require or cause the Issuer to assume, and will not subject the Issuer to, any obligation or liability (other than immaterial nonpayment obligations and any assignment or transfer fee in respect of loans).

"Synthetic Security Collateral" means Eligible Investments which (a) have a Moody's Rating of at least "A1" and a Standard & Poor's Rating of at least "A+" and (b) mature no later than the Stated Maturity.

"Synthetic Security Counterparty" means any entity that is required to make payments on a Synthetic Security to the extent that a Reference Obligor makes payments on a related Reference Obligation. On the date a Synthetic Security is acquired by the Issuer, the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Synthetic Security Counterparty must be rated at least "P-1" by Moody's and not on a watch list for possible downgrade, or the unsecured, unguaranteed or otherwise unsupported long-term senior debt obligations of such Synthetic Security Counterparty must be rated at least "A3" by Moody's and not on a watch list for possible downgrade and at least "A-" by Standard & Poor's and such Synthetic Security must satisfy the Rating Condition.

Eligibility Criteria

Prior to the Ramp-Up Completion Date, the Issuer is required to use commercially reasonable efforts to invest Uninvested Proceeds in additional Collateral Debt Securities; *provided* that the Issuer may only purchase additional Collateral Debt Securities if, after giving effect to such investment, each of the following criteria (the "Eligibility Criteria") is satisfied with respect to such security:

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| Assignable | (1) the Underlying Instrument pursuant to which such security was issued permits the Issuer to purchase it and pledge it to the Trustee and such security is a type subject to Article 8 or Article 9 of the UCC; |
| Jurisdiction of Issuer | (2) the obligor on or issuer of such security is organized or incorporated under the law of the United States or a State thereof or in a Special Purpose Vehicle Jurisdiction; |
| Dollar Denominated | (3) such security is U.S. Dollar-denominated, and it is not convertible into, or payable in, any other currency; |
| Fixed Principal Amount | (4) such security requires the payment of a fixed amount of principal in cash no later than its stated maturity or termination date; |
| Rating | (5) (A) such security has been assigned a Moody's Rating and a Standard & Poor's Rating, (B) the Moody's Rating of such security is at least "Ba3" and, if the Moody's Rating of such security is "Ba3", is not on rating watch negative for possible downgrade, (C) such security is not publicly rated below "Baa3" by Moody's and, if publicly rated "Baa3" by Moody's, is not on rating watch negative for possible downgrade and (D) the |

Standard & Poor's Rating of such security does not include the subscript "r" or "t";

Registered Form	(6) such security is in registered form for U.S. Federal income tax purposes, and it (and if it is a certificate of interest in a trust treated as a grantor trust for U.S. Federal income tax purposes, each of the obligations or securities held by such trust) was issued after July 18, 1984 ("Registered");
No Withholding	(7) the Issuer will receive payments due under the terms of such security and proceeds from disposing of such security free and clear of withholding tax, other than withholding tax as to which the obligor or issuer must make additional payments so that the net amount received by the Issuer after satisfaction of such tax is the amount due to the Issuer before the imposition of any withholding tax;
Does Not Subject Issuer to Tax on a Net Income Basis	(8) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such security will not cause the Issuer to be treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes or otherwise to be subject to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation;
ERISA	(9) such security is not a security that, pursuant to 29 C.F.R. Section 2510.3-101, (x) would be treated as an equity interest in an entity and (y) if held by an employee benefit plan subject to ERISA, would cause such employee benefit plan to be treated as owning an undivided interest in each of the underlying assets of such entity for purposes of ERISA;
No Defaulted Securities, PIK Bonds or Credit Risk Securities	(10) such security is not a Defaulted Security, a Credit Risk Security or a PIK Bond the payment of interest on which has been deferred or capitalized (unless payments of interest on such PIK Bond have resumed and all capitalized and deferred interest has been paid in cash in accordance with the related Underlying Instruments);
Limitation on Stated Final Maturity; Average Life	(11) if the stated maturity of such security occurs later than the Stated Maturity of the Notes, the aggregate principal balance of all such securities does not exceed 3.5% of the Net Outstanding Portfolio Collateral Balance; <i>provided</i> that if such security is a CMBS Security, the stated maturity of such CMBS Security shall be deemed to be the earlier of (i) the stated maturity of such CMBS Security as specified in the related Underlying Instruments and (ii) the date which is five years after the later of (A) the latest occurring balloon date with respect to any balloon loan securing such CMBS Security and (B) the last scheduled amortization date with respect to any other loans securing such CMBS Security;
No Foreign Exchange Controls	(12) payments in respect of such security are not made from a country that imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such security;
No Margin Stock	(13) such security is not, and any Equity Security acquired in connection with such security is not, "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System;
No Debtor-in-Possession Financing	(14) such security is not a financing by a debtor-in-possession in any insolvency proceeding;
No Mandatory Conversion or	(15) such security is not a security that by the terms of its Underlying Instruments provides for conversion or exchange (whether mandatory, at the option of the issuer or

Exchange	the holder thereof or otherwise) into equity capital at any time prior to its maturity;
Not Subject to an Offer or a Called for Redemption	(16) such security is not the subject of an Offer and has not been called for redemption;
No Future Advances	(17) such security is not a security that by the terms of its Underlying Instruments obligates the Issuer to make future advances or other payments (other than in respect of the initial purchase price of such security); and
Specified Type	(18) if such security is an Other ABS, or if such security is a Synthetic Security the Reference Obligation(s) of which are Other ABS, such security (or Reference Obligation(s)) is a Specified Type of Other ABS.

If the Issuer has previously entered into a commitment to acquire a security for inclusion in the Collateral, then the Issuer need not comply with any of the Eligibility Criteria on the date of such acquisition if the Issuer was in compliance with each of the Eligibility Criteria on the date on which the Issuer entered into such commitment. However, the Issuer may only enter into a commitment to acquire a security for inclusion in the Collateral if such commitment provides for settlement within a reasonable period of time following commitment in accordance with market standards for acquisitions of securities of the type being acquired by the Issuer.

Notwithstanding the foregoing provisions, if an Event of Default shall have occurred and be continuing, no Collateral Debt Security may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

The Issuer may not acquire any Collateral Debt Security unless such acquisition is made on an "arm's-length basis" for fair market value.

The Collateral Management Agreement will provide that when purchasing, entering into, managing, selling or terminating Asset-Backed CDO Securities or Other ABS on behalf of the Issuer, the Collateral Manager shall be deemed to have satisfied the requirements in paragraph (8) of the Eligibility Criteria as to the manner of acquisition if it satisfies the following requirements:

- (1) The Collateral Manager does not acquire or commit to acquire such obligations or securities, whether at initial issuance or in a secondary market transfer, from itself or any account or portfolio for which the Collateral Manager serves as investment advisor (whether or not acting in its capacity as Collateral Manager), or any seller that is an Affiliate unless (i) the seller acquired the obligation or security in a manner that would have satisfied the requirements of this clause (1) and clauses (2) and (3) below if the seller were the Collateral Manager or (ii) the seller regularly acquires obligations or securities of the same type for its own account, could have held the obligation or security for its own account consistent with its investment policies, holds the obligation or security for at least 60 days and during that period does not commit to sell or identify such an obligation or security as intended for sale to the Issuer.
- (2) The Collateral Manager does not acquire or commit to acquire an obligation or security from the obligor or issuer thereof at issuance or from any seller that has not purchased and at least partially funded such obligation or security unless the obligation or security is issued pursuant to an effective registration statement under the Securities Act or is privately placed under Rule 144A or Section 4(2) of the Securities Act and is described in at least one of the following clauses:
 - (a) neither the Collateral Manager, its employees or its Affiliates participate in the origination, structuring or placement of the obligation or security or any other obligations or securities issued in the same offering. For these purposes "participate in the placement" means acting as an

underwriter or placement agent with respect to any part of the offering, "participate in structuring" means participating in negotiating or structuring the terms of the obligation or security (it being understood that negotiating and structuring does not include providing comments on offering documents to an unrelated underwriter or placement agent where the ability to comment was generally available to all investors or undertaking due diligence of the kind customarily performed by investors in such securities), and "participate in the origination" means participating in the origination of the collateral securing the obligation or security (it being understood that origination does not include purchases of whole loans after third party documentation and funding of such loans, either individually or in pools, from third parties unrelated to the Collateral Manager or any of its Affiliates); or

- (b) the Collateral Manager and its employees do not participate in the origination, structuring or placement of the obligation or security and at issuance (x) the Collateral Manager and the Issuer do not acquire or commit to acquire more than 49% of the aggregate principal amount of any class of obligations or securities offered by the obligor or issuer in the same or any related offering, (y) persons unrelated to the Collateral Manager, the Issuer and their Affiliates purchase more than 50% of the aggregate principal amount of such class of obligations or securities at substantially the same time and on substantially the same terms as the Issuer purchases, and (z) the Collateral Manager, the Issuer and their Affiliates do not acquire more than 8% of the aggregate principal amount of all classes of obligations or securities offered by such obligor or issuer in the same or any related offering.
- (3) The Collateral Manager acquires or commits to acquire unissued or unfunded securities otherwise permitted by the Collateral Management Agreement on behalf of the Issuer only if the purchase price is fixed at the time of the commitment and the commitment is subject to there being no material adverse change in the condition of the obligor or issuer or in the financial markets.
- (4) The Collateral Manager acquires an obligation or security on behalf of the Issuer only if for United States Federal income tax purposes (i) the asset is debt, (ii) the sole obligor or issuer is a corporation, (iii) the obligor or issuer is not engaged in a trade or business within the United States or (iv) the obligor or issuer is a grantor trust all assets of which are obligations or securities that, if acquired directly, would have satisfied the requirements of this paragraph (4) and paragraphs (1) through (3) above. For purposes of the determining whether any criterion in this paragraph (4) is satisfied, the Collateral Manager may rely on a tax opinion included or described in the offering documents pursuant to which the obligation or security was issued to the effect that such criterion will be satisfied; *provided* that no change that would have a material effect on satisfaction of such criterion has occurred in the terms of the obligation or security or the activities or any of the organizational documents of the issuer, as applicable, before the obligation or security is acquired.

Portfolio Percentage Limitation

On the Ramp-Up Completion Date, in addition to the requirement to satisfy each of the Coverage Tests and Collateral Quality Tests, the Issuer is required to satisfy each of the following limitations (the "Portfolio Percentage Limitations") with respect to the Collateral:

- Fixed Rate Collateral Debt Securities** (1) the aggregate principal balance of all Fixed Rate Collateral Debt Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 35% of the Net Outstanding Portfolio Collateral Balance;
- Floating Rate Securities** (2) the aggregate principal balance of all Floating Rate Collateral Debt Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 70% of the Net Outstanding Portfolio Collateral Balance;

Pure Private Collateral Debt Securities	(3) the aggregate principal balance of all Collateral Debt Securities that were not (A) issued pursuant to an effective registration statement under the Securities Act or (B) privately placed and eligible for resale under Rule 144A or Regulation S under the Securities Act (together with the aggregate principal balance of any Synthetic Securities (other than Synthetic Securities that satisfy the requirements of clause (A) or (B) of this paragraph (3)) related thereto) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;
Moody's Rating Below "Baa3"	(4) the aggregate principal balance of all Collateral Debt Securities that have a Moody's Rating below "Baa3" (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;
Single Issue	(5) the aggregate principal balance of all Collateral Debt Securities part of the same Issue (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 1.5% of the Net Outstanding Portfolio Collateral Balance, except that with respect to the aggregate principal balance of all Collateral Debt Securities part of each of up to three Issues (together with the aggregate principal balance of any Synthetic Securities related thereto) may equal up to 2% of the Net Outstanding Portfolio Collateral Balance (as to each such Issue);
Single Servicer	(6) (A) with respect to securities serviced by a Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) that is rated (x) "Aa3" or higher by Moody's or (y) "Strong" or "AA" or higher by Standard & Poor's, the aggregate principal balance of all Collateral Debt Securities serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed 15% of the Net Outstanding Portfolio Collateral Balance, (B) with respect to securities serviced by a Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) that is rated (x) "A3" or higher but below "Aa3" by Moody's (and is not rated at least "AA" by Standard & Poor's) or (y) "Above Average" or "A-" or higher but below "AA" by Standard & Poor's (and is not rated at least "Aa3" by Moody's), the aggregate principal balance of all Collateral Debt Securities serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (C) with respect to securities serviced by a Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) that is rated below "A3" by Moody's and "Average" and at least "BB+" but below "A-" by Standard & Poor's, the aggregate principal balance of all Collateral Debt Securities serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance and (D) with respect to securities serviced by a Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) that is not rated by Moody's or by Standard & Poor's, the aggregate principal balance of all Collateral Debt Securities serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance; <i>provided</i> that (x) with respect to up to two Servicers rated below "A3" by Moody's and "Average" or below "A-" by Standard & Poor's, the aggregate principal balance of all Collateral Debt Securities serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities the Reference Obligations of which are such securities) may equal up to 10% of the Net Outstanding Portfolio Collateral Balance and (y) if any two Servicers with respect to Collateral Debt Securities consolidate or merge with one another, the percentage limitation on Collateral Debt Securities serviced by the surviving entity shall be increased proportionately to reflect the combined servicing exposure of the two merged entities, as

determined by the Collateral Manager acting in accordance with the Collateral Manager Standard of Care and notified to the Trustee;

Synthetic Securities

(7) if such security is a Synthetic Security, then (A) such Synthetic Security is acquired from a Synthetic Security Counterparty with a short-term rating, on the date of such grant, of at least "P-1" by Moody's, and not on a watch list for possible downgrade, or a long-term rating of at least "Aa2" by Moody's and not on watch list for possible downgrade and at least "AA" by Standard & Poor's, (B) such security (1) has been assigned a public or private rating by Standard & Poor's and (2) is rated at least "A1" by Moody's (and, if rated "A1" by Moody's, such rating is not on rating watch negative for possible downgrade) or at least "A+" by Standard & Poor's, (C) the aggregate principal balance of all Collateral Debt Securities constituting Synthetic Securities acquired from any single Synthetic Security Counterparty and its affiliates is not greater than 10% of the Net Outstanding Portfolio Collateral Balance, (D) the Rating Condition has been satisfied with respect to the acquisition of such Synthetic Security (and each of Moody's and Standard & Poor's has assigned an Applicable Recovery Rate to such Synthetic Security), (E) the aggregate principal balance of all Collateral Debt Securities that are Synthetic Securities does not exceed 15% of the Net Outstanding Portfolio Collateral Balance and (F)(i) if the Reference Obligation to which such Synthetic Security relates is an Asset-Backed CDO Security or an Other ABS, (x) the Reference Obligation to which such Synthetic Security relates, if purchased by the Issuer directly, would satisfy paragraphs (6) through (9) of the Eligibility Criteria or (y) the Issuer and the Trustee receive an opinion of nationally recognized U.S. tax counsel to the effect that such Synthetic Security satisfies paragraphs (6) through (9) of the Eligibility Criteria and (z) in each case, the Reference Obligation to which such Synthetic Security relates satisfies paragraph (13) of the Eligibility Criteria or (ii) if the Reference Obligation to which such Synthetic Security relates is a pool of mortgage loans, such Synthetic Security satisfies each paragraph of the Eligibility Criteria;

PIK Bonds

(8) the aggregate principal balance of all Collateral Debt Securities that are PIK Bonds (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Asset-Backed CDO Security

(9) the aggregate principal balance of all Collateral Debt Securities that are Asset-Backed CDO Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 7% of the Net Outstanding Portfolio Collateral Balance;

Frequency of Interest Payments

(10) the aggregate principal balance of all Collateral Debt Securities that provide for periodic payments of interest in cash less frequently than quarterly (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; provided that no Collateral Debt Security acquired by the Issuer may provide for periodic payments of interest in cash less frequently than semi-annually;

Step-Down Bonds and Step-Up Bonds

(11) (A) the aggregate principal balance of all Collateral Debt Securities that are Step-Down Bonds (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; and (B) the aggregate principal balance of all Collateral Debt Securities that are Step-Up Bonds (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Issuer or Obligor Owned or Managed by the Collateral Manager	(12) the aggregate principal balance of all Collateral Debt Securities that are issued by or obligations of a fund or other entity owned or managed by the Collateral Manager or its Affiliates does not exceed 6.5% of the Net Outstanding Portfolio Collateral Balance;
Small Business Loan Securities	(13) the aggregate principal balance of all Collateral Debt Securities that are Small Business Loan Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 3% of the Net Outstanding Portfolio Collateral Balance;
REIT Debt Securities	(14) (A) the aggregate principal balance of all Collateral Debt Securities that are REIT Debt Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (B) the aggregate principal balance of all REIT Debt Securities within a single category set forth in any sub-clause of the definition thereof (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 3% of the Net Outstanding Portfolio Collateral Balance;
CMBS Securities	(15) the aggregate principal balance of all Collateral Debt Securities that are CMBS Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance; and
Student Loan Securities	(16) the aggregate principal balance of all Collateral Debt Securities that are Student Loan Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 3% of the Net Outstanding Portfolio Collateral Balance.

The failure to satisfy any of the Portfolio Percentage Limitations as of the Ramp-Up Completion Date does not constitute an Event of Default but such failure may result in a Rating Agency Confirmation Failure and, consequently, the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. See "Risk Factors—Nature of Collateral" and "Description of the Notes—Mandatory Redemption".

Certain Definitions

"Issue" of Collateral Debt Securities means Collateral Debt Securities issued by the same issuer, secured by the same collateral pool.

"Offer" means, with respect to any security, (i) any offer by the issuer of such security or by any other person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant to any redemption in accordance with the terms of its Underlying Instruments) or to convert or exchange such security into or for cash, securities or any other type of consideration or (ii) any solicitation by the issuer of such security or any other person to amend, modify or waive any provision of such security or any of its Underlying Instruments.

"Rating Condition" means, with respect to any action taken or to be taken under the Indenture, a condition that is satisfied when each Rating Agency has confirmed in writing to the Issuer, the Trustee, each Hedge Counterparty and the Collateral Manager that such action will not result in the withdrawal, reduction or other adverse action with respect to any then-current rating (including any private or confidential rating) of any Class of Notes.

"REIT" means a real estate investment trust (as defined in Section 856 of the Code or any successor provision).

"Servicer" means, with respect to any Collateral Debt Security, the entity (howsoever described in the applicable Underlying Instrument) that, absent any default, event of default or similar condition (however described), is primarily responsible for managing, servicing, monitoring and otherwise administering the cash flows from which payments to investors in such Asset-Backed Securities are made.

"Special Purpose Vehicle Jurisdiction" means (a) the Cayman Islands, the Bahamas, Bermuda, the Netherlands Antilles or the Channel Islands and (b) any other jurisdiction that (x) is commonly used as the place of organization of special or limited purpose vehicles that issue Asset-Backed Securities, (y) that generally impose no or nominal tax on the income of special purpose vehicles and (z) the designation of which as a Special Purpose Vehicle Jurisdiction satisfies the Rating Condition.

"Step-Down Bond" means a security which by the terms of the related Underlying Instrument provides for a decrease, in the case of a Fixed Rate Collateral Debt Security, in the per annum interest rate on such security or, in the case of a Floating Rate Collateral Debt Security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Down Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. In calculating any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Down Bond) or coupon (in the case of a fixed rate Step-Down Bond) of a Step-Down Bond, the spread or coupon on any date shall be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date.

"Step-Up Bond" means a security which by the terms of the related Underlying Instrument provides for an increase, in the case of a Fixed Rate Collateral Debt Security, in the per annum interest rate on such security or, in the case of a Floating Rate Collateral Debt Security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Up Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. In calculating any Coverage Test or Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Up Bond) or coupon (in the case of a fixed rate Step-Up Bond) of a Step-Up Bond, the spread or coupon on any date shall be deemed to be the spread or coupon stated to be payable in cash and in effect on such date.

Certain Matters Relating to Synthetic Securities

For purposes of determining the principal balance of a Synthetic Security at any time, the principal balance of such Synthetic Security shall be equal to the aggregate amount of the repayment obligation of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security.

In connection with the acquisition of a Synthetic Security that provides for the grant to the related Synthetic Security Counterparty of a security interest in cash or Eligible Investments (and the proceeds thereof) in lieu of all or a portion of the purchase price of such Synthetic Security, the Issuer may grant to the counterparty to such Synthetic Security a first priority security interest in Eligible Investments (and the proceeds thereof) designated by the Issuer and deposited in a Synthetic Security Counterparty Account, which may be invested as provided in the terms of such Synthetic Security, and the proceeds of which may be applied to make periodic payments to the Synthetic Security Counterparty under such Synthetic Security. The grant of such security interest shall be treated as the payment of a purchase price equal to the value of the Eligible Investments covered by such grant, and the Issuer's obligations to make periodic payments under such Synthetic Security shall be disregarded. Withdrawals from such Synthetic Security Counterparty Account shall be made in accordance with the terms of the related Synthetic Security.

For purposes of the Coverage Tests, unless otherwise specified, a Synthetic Security shall be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation(s).

For purposes of the Collateral Quality Tests, for purposes of the Standard & Poor's CDO Monitor Test, and for determining the Moody's Rating of a Synthetic Security, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation(s) *provided* that (a) for purposes of determining the industry with respect to any Synthetic Security for the Standard & Poor's CDO Monitor Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation(s) and (b) for purposes of the Diversity Test, a Synthetic Security that references a single Asset-Backed CDO Security or Other ABS will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor) and not of the Synthetic Security.

In connection with (or after) the acquisition of a Synthetic Security, the related Synthetic Security Counterparty may grant to the Issuer a first priority security interest in Eligible Investments (and the proceeds thereof) designated by the related Synthetic Security Counterparty and deposited in a Synthetic Security Issuer Account, which may be invested in accordance with the terms of such Synthetic Security, and the proceeds of which may be applied to make periodic payments to the Issuer under such Synthetic Security. Withdrawals from such Synthetic Security Issuer Account shall be made in accordance with the terms of the related Synthetic Security.

Investments in Synthetic Securities present risks in addition to those associated with other types of Collateral Debt Securities. See "Risk Factors—Nature of Collateral" and "—Synthetic Securities".

The Collateral Quality Tests and the Standard & Poor's CDO Monitor Test

On the Ramp-Up Completion Date, in addition to the requirement to satisfy each of the Coverage Tests and the Portfolio Percentage Limitations, the Issuer will be required to satisfy the Collateral Quality Tests and the Standard & Poor's CDO Monitor Test. The "Collateral Quality Tests" will consist of the Diversity Test, the Moody's Maximum Rating Distribution Test, the Moody's Minimum Weighted Average Recovery Rate Test, the Weighted Average Coupon Test, the Weighted Average Spread Test, the Weighted Average Life Test and the Standard & Poor's Minimum Recovery Rate Test described below. The failure to satisfy any of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test as of the Ramp-Up Completion Date does not constitute an Event of Default but such failure may result in a Rating Agency Confirmation Failure and, consequently, the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. See "Risk Factors—Nature of Collateral" and "Description of the Notes—Mandatory Redemption".

Except as otherwise provided below under "Diversity Test", for purposes of the Diversity Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor) and not of the Synthetic Security. For purposes of the Collateral Quality Tests (other than the Diversity Test) and the Standard & Poor's CDO Monitor Test and for determining the Moody's Rating of a Synthetic Security, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation *provided* that for purposes of determining the industry with respect to any Synthetic Security for the Standard & Poor's CDO Monitor Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation.

Diversity Test. The "Diversity Test" will be satisfied on the Ramp-Up Completion Date if the Diversity Score is equal to or greater than 16. The "Diversity Score" is a single number that indicates collateral concentration implied by Specified Type and Moody's Rating of the Asset-Backed Securities and is calculated as described in the following paragraphs. A higher Diversity Score reflects a more diverse portfolio.

The default risk of Asset-Backed Securities is assumed by the Rating Agencies to be more highly correlated with other Asset-Backed Securities when compared to the correlation of default risk among a pool of corporate bonds of unaffiliated issuers in many different industry groups. To analyze collateral assets from sectors with correlated default risk, Moody's has developed an alternative Diversity Score method. The formula used to calculate the Diversity Score under this alternative methodology is set forth below.

$$D = \frac{\left(\sum_{i=1}^n p_i F_i \right) \left(\sum_{i=1}^n q_i F_i \right)}{\sum \sum \rho_{ij} \sqrt{p_i q_i p_j q_j} F_i F_j}$$

where p_i equals the expected loss percentage divided by the loss rate percentage.

First, Moody's assumes that the actual portfolio consists of n bonds; bond i has a face value F_i and a default probability p_i that is implied by the rating and maturity of the bond. The probability of survival for bond i is q_i , which equals $1 - p_i$. In addition, the correlation coefficient of default between bond i and j is ρ_{ij} .

To calculate the alternative Diversity Score, portfolio parameters need to be input, including the rating profile, the par amount, the maturity profile and the default correlation assumptions.

In addition, Moody's assumes that the default correlation is associated with the credit quality of the collateral. For example, the default correlation among investment-grade Asset-Backed Securities is lower than the default correlation among below investment-grade Asset-Backed Securities. Finally, the cross correlation of defaults among various types of Asset-Backed Securities plays an important role as well. In order to take account of issuer concentration and vintage effects, certain assumptions are applied.

Moody's Maximum Rating Distribution Test. The "Moody's Maximum Rating Distribution Test" will be satisfied on the Ramp-Up Completion Date if the Moody's Maximum Rating Distribution of the Collateral Debt Securities as of the Ramp-Up Completion Date is less than or equal to 325. The "Moody's Maximum Rating Distribution" on any Measurement Date is the number determined by dividing (i) the summation of the series of products obtained for any Collateral Debt Security that is not a Defaulted Security, Written Down Security or Deferred Interest PIK Bond, by multiplying (1) the principal balance as of such Measurement Date of each such Collateral Debt Security by (2) its respective Moody's Rating Factor as of such Measurement Date by (ii) the aggregate principal balance as of such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities, Written Down Securities or Deferred Interest PIK Bonds and rounding the result up to the nearest whole number.

The "Moody's Rating Factor" relating to any Collateral Debt Security is the number set forth in the table below opposite the Moody's Rating of such Collateral Debt Security:

Moody's Rating	Moody's Rating Factor	Moody's Rating	Moody's Rating Factor
Aaa	1	Ba1	940
Aa1	10	Ba2	1,350
Aa2	20	Ba3	1,766
Aa3	40	B1	2,220
A1	70	B2	2,720
A2	120	B3	3,490
A3	180	Caa1	4,770
Baa1	260	Caa2	6,500
Baa2	360	Caa3	8,070
Baa3	610	Ca or lower	10,000

For purposes of the Moody's Maximum Rating Distribution Test:

- (a) If a Collateral Debt Security does not have a Moody's Rating assigned to it at the date of acquisition thereof, the Moody's Rating Factor with respect to such Collateral Debt Security shall be 10,000 for a period of 90 days from the acquisition of such Collateral Debt Security or (if earlier) until such Collateral Debt Security has a Moody's Rating or Moody's Rating Factor assigned to it. After such 90-day period, if such Collateral Debt Security is not rated by Moody's and no other security or obligation of the issuer thereof or obligor thereon is rated by Moody's and the Issuer or the Collateral Manager seeks to obtain an estimate of a Moody's Rating Factor, then the Moody's Rating Factor of such Collateral Debt Security will be deemed to be such estimate thereof as may be assigned by Moody's upon the request of the Issuer or the Collateral Manager; and
- (b) With respect to any Synthetic Security, the Moody's Rating Factor shall be determined as specified by Moody's at the time such Synthetic Security is acquired by the Issuer.

The "Moody's Rating" of any Collateral Debt Security will be determined as follows:

- (i) if such Collateral Debt Security is publicly rated by Moody's, the Moody's Rating shall be such rating, or, if such Collateral Debt Security is not publicly rated by Moody's, but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Moody's assign a rating to such Collateral Debt Security, the Moody's Rating shall be the rating so assigned by Moody's;
- (ii) with respect to an Asset-Backed CDO Security or Other ABS, if such Asset-Backed CDO Security or Other ABS is not publicly rated by Moody's, then the Moody's Rating of such Asset-Backed Security may be determined using any one of the methods below:
 - (A) with respect to any ABS Type Residential Security not publicly rated by Moody's, if such ABS Type Residential Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (i) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA"; (ii) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "AAA" but above "BB+"; and (iii) three rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

- (B) with respect to any CMBS Conduit Security or CMBS Credit Tenant Lease Security not publicly rated by Moody's, (x) if Moody's has rated a tranche or class of CMBS Conduit Security or CMBS Credit Tenant Lease Security senior to the relevant Issue, then the Moody's Rating thereof shall be one and one-half rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's for purposes of determining the Moody's Rating Factor and one rating subcategory below the Moody's equivalent rating assigned by Standard & Poor's for all other purposes and (y) if Moody's has not rated any such tranche or class and Standard & Poor's has rated the subject CMBS Conduit Security or CMBS Credit Tenant Lease Security, then the Moody's Rating thereof will be two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's;
- (C) with respect to notched ratings on any other type of Asset-Backed CDO Security or Other ABS, the Moody's Rating shall be determined in accordance with the notching conventions set forth in Part I of Schedule E; and
- (D) with respect to any other type of Asset-Backed Security designated as a Specified Type after the date hereof upon notification from the Collateral Manager to the Trustee and written confirmation by Moody's to the Issuer, the Trustee and the Collateral Manager that such designation satisfies the Rating Condition, pursuant to any method specified by Moody's;

provided that (u) the rating of any Rating Agency used to determine the Moody's Rating pursuant to any of clauses (i), (ii) or (iii) above shall be a public, non-exclusive rating (but not a ratings estimate, a shadow rating, any rating given for informational purposes only or any Standard & Poor's rating which contains a subscript) that addresses the obligation of the obligor (or guarantor, where applicable) to pay principal of and interest on the relevant Collateral Debt Security in full and is monitored on an ongoing basis by the relevant Rating Agency, (v) the aggregate principal balance of Collateral Debt Securities the Moody's Rating of which is based on a Standard & Poor's rating may not exceed 20% of the aggregate principal balance of all Collateral Debt Securities, (w) the ratings of not more than 10% of the aggregate principal balance of all Collateral Debt Securities may be assigned rating factors derived via notching from instruments rated by a only one Rating Agency, (x) with respect to ratings derived via notching from instruments rated by only one Rating Agency, the ratings of not more than 7.5% of the aggregate principal balance of all Collateral Debt Securities may be assigned rating factors derived via notching from instruments rated by any one Rating Agency, (y) with respect to any Synthetic Security, the Moody's Rating thereof shall be determined as specified by Moody's at the time such Synthetic Security is acquired and (z) other than for the purposes of paragraph (5) of the Eligibility Criteria, (A) if a Collateral Debt Security is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory above the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list, (B) if a Collateral Debt Security is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory (or, in the case of an Asset-Backed CDO Security that has a Moody's Rating of below "Baa3", two subcategories) below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list.

The "Standard & Poor's Rating" of any Collateral Debt Security will be determined as follows:

- (i) if Standard & Poor's has assigned a rating to such Collateral Debt Security either publicly or privately (in the case of a private rating, with the appropriate consents for the use of such private rating), the Standard & Poor's Rating shall be the rating assigned thereto by Standard & Poor's; *provided* that if any Collateral Debt Security shall be on watch for a possible upgrade or downgrade by Standard & Poor's on such date of determination, the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the rating otherwise assigned to such Collateral Debt Security by Standard & Poor's;

- (ii) if such Collateral Debt Security is not rated by Standard & Poor's but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Standard & Poor's assign a rating to such Collateral Debt Security, the Standard & Poor's Rating shall be the rating so assigned by Standard & Poor's; *provided* that pending receipt from Standard & Poor's of such rating, (x) if such Collateral Debt Security is of a type listed on Schedule D or is not eligible for notching in accordance with Part II of Schedule E, such Collateral Debt Security shall have a Standard & Poor's Rating of "CCC-" and (y) if such Collateral Debt Security is not of a type listed on Schedule D and is eligible for notching in accordance with Part II of Schedule E, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating assigned in accordance with Part II of Schedule E until such time as Standard & Poor's shall have assigned a rating thereto; and
- (iii) if such Collateral Debt Security is a Collateral Debt Security that has not been assigned a rating by Standard & Poor's pursuant to clause (i) or (ii) above, and is not of a type listed on Schedule D, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating determined in accordance with Part II of Schedule E; *provided* that (A) if any Collateral Debt Security shall, at the time of its purchase by the Issuer, be on watch for a possible upgrade or downgrade by either Moody's or Fitch, Inc., the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the rating otherwise assigned to such Collateral Debt Security in accordance with Part II of Schedule E and (B) the aggregate principal balance of all Collateral Debt Securities that are assigned a Standard & Poor's Rating pursuant to this clause (iii) may not exceed 20% of the aggregate principal balance of all Collateral Debt Securities.

Moody's Minimum Weighted Average Recovery Rate Test. The "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied as of the Ramp-Up Completion Date (and will not be required to be satisfied prior to the Ramp-Up Completion Date) if the Moody's Weighted Average Recovery Rate as of such Measurement Date is greater than or equal to 35%.

The "Moody's Weighted Average Recovery Rate" is the number (expressed as a percentage and rounded up to the first decimal place) obtained by summing the products obtained by multiplying the principal balance of each Collateral Debt Security other than any Defaulted Security by its "Applicable Recovery Rate" (determined for purposes of this definition pursuant to clause (a) of the definition of "Applicable Recovery Rate"), dividing such sum by the aggregate principal balance of all such Collateral Debt Securities. For purposes of the Moody's Weighted Average Recovery Rate, the principal balance of a Defaulted Security or a Deferred Interest PIK Bond will be deemed to be equal to its outstanding principal amount.

Standard & Poor's CDO Monitor Test. The "Standard & Poor's CDO Monitor Test" will be satisfied on the Ramp-Up Completion Date if, after giving effect to the acquisition of the collateral debt securities included in the collateral, the Note Class Loss Rate Differential is positive.

The "Note Class Loss Rate Differential" means, with respect to any Class of Notes rated by Standard & Poor's, at any time, the rate calculated by subtracting the Class Scenario Default Rate at such time from the Note Break-Even Default Rate for such Class of Notes at such time.

The "Class Scenario Default Rate" means, with respect to any Class of Notes rated by Standard & Poor's, at any time, an estimate of the cumulative default rate for the portfolio, consistent with Standard & Poor's rating of such Class of Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Note Break-Even Default Rate" means, with respect to any Class of Notes rated by Standard & Poor's, at any time, the maximum percentage of defaults (as determined by Standard & Poor's through application of the Standard & Poor's CDO Monitor) which the portfolio can sustain such that, after giving effect to Standard & Poor's assumptions on recoveries and timing and to the Priority of Payments, will result in sufficient funds remaining for the ultimate payment of principal of and interest on such Class of Notes in full by its Stated

Maturity and (in the case of the Class A Notes and the Class B Notes) the timely payment of interest on such Class of Notes.

The "Standard & Poor's CDO Monitor" is the dynamic, analytical computer model applied by Standard & Poor's on or about the Ramp-Up Completion Date for the purpose of estimating the default risk of Collateral Debt Securities.

The Standard & Poor's CDO Monitor calculates the cumulative default rate of a pool of Collateral Debt Securities consistent with a specified benchmark rating level based upon Standard & Poor's proprietary corporate debt default studies. In calculating the Class Scenario Default Rate, the Standard & Poor's CDO Monitor considers each obligor's most senior unsecured debt rating, the number of obligors in the portfolio, the obligor and industry concentration in the portfolio and the remaining weighted average maturity of the Collateral Debt Securities and calculates a cumulative default rate based on the statistical probability of distributions of defaults on the Collateral Debt Securities.

There can be no assurance that actual defaults of the Collateral Debt Securities or the timing of defaults will not exceed those assumed in the application of the Standard & Poor's CDO Monitor or that recovery rates with respect thereto will not differ from those assumed in the Standard & Poor's CDO Monitor Test and, consequently, there can be no assurance that the Standard & Poor's CDO Monitor Test will be satisfied as of the Ramp-Up Completion Date, which could result in a Ratings Confirmation Failure. Standard & Poor's makes no representation that actual defaults will not exceed those determined by the Standard & Poor's CDO Monitor. Neither the Collateral Manager nor the Issuer makes any representation as to the expected rate of defaults of the Collateral Debt Securities or the timing of defaults or as to the expected recovery rate or the timing of recoveries.

Weighted Average Coupon Test. The "Weighted Average Coupon Test" will be satisfied as of the Ramp-Up Completion Date if the Weighted Average Coupon as of the Ramp-Up Completion Date is equal to or greater than 5.24%.

The "Weighted Average Coupon" means, as of any Measurement Date, the sum (rounded up to the next 0.001%) of (a) the number obtained by summing the products obtained by multiplying (x) the current interest rate on each Collateral Debt Security that is a Fixed Rate Collateral Debt Security (other than a Defaulted Security, Written Down Security or Deferred Interest PIK Bonds) by (y) the principal balance of each such Collateral Debt Security and dividing such sum by the aggregate principal balance of all Collateral Debt Securities that are Fixed Rate Collateral Debt Securities (excluding all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than 5.24%, the Spread Excess, if any, as of such Measurement Date. For purposes of this definition, (1) a PIK Bond shall be deemed to be a Deferred Interest PIK Bond so long as any interest thereon has been deferred and capitalized for at least one payment date (until payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments) and (2) no contingent payment of interest will be included in such calculation.

The "Spread Excess" as of any Measurement Date will equal a fraction (expressed as a percentage), the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Spread for such Measurement Date over 1.86%, and (b) the aggregate principal balance of all Floating Rate Collateral Debt Securities (excluding Defaulted Securities, Written Down Securities or Deferred Interest PIK Bonds) and the denominator of which is the aggregate principal balance of all Collateral Debt Securities that are Fixed Rate Collateral Debt Securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied as of the Ramp-Up Completion Date if the Weighted Average Spread as of such Measurement Date is equal to or greater than 1.86%.

The "Weighted Average Spread" means, as of any Measurement Date, the sum (rounded up to the next 0.001%) of:

(a) the number obtained by (i) summing the products obtained by multiplying (A) for each Floating Rate Collateral Debt Security (other than, in each case, any Defaulted Security, Written Down Security or Deferred Interest PIK Bond), in the case of each Collateral Debt Security, the stated spread above LIBOR at which interest accrues on such Collateral Debt Security as of such date by (B) the principal balance of such Collateral Debt Security as of such date and (ii) dividing such sum by the aggregate principal balance of all Floating Rate Collateral Debt Securities (excluding, in each case, all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) plus

(b) if such sum of the numbers obtained pursuant to clause (a) is less than 1.86%, the Fixed Rate Excess (if any).

The "Fixed Rate Excess" as of any Measurement Date will equal a fraction (expressed as a percentage) the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Coupon for such Measurement Date over 5.24%, and (b) the aggregate principal balance of all Collateral Debt Securities that are Fixed Rate Collateral Debt Securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) and the denominator of which is the aggregate principal balance of all Collateral Debt Securities that are Floating Rate Collateral Debt Securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

Weighted Average Life Test. The "Weighted Average Life Test" will be satisfied as of the Ramp-Up Completion Date if the Weighted Average Life of all Collateral Debt Securities (other than Defaulted Securities) as of the Ramp-Up Completion Date is less than or equal to 6.5 years.

On any Measurement Date with respect to any Collateral Debt Security, the "Weighted Average Life" is the number obtained by (i) summing the products obtained by multiplying (a) the expected Average Life at such time of each Collateral Debt Security (other than any Defaulted Security) by (b) the outstanding principal balance of such Collateral Debt Security and (ii) dividing such sum by the aggregate principal balance at such time of all Collateral Debt Securities (other than Defaulted Securities). On any Measurement Date with respect to any Collateral Debt Security, the "Average Life" is the quotient obtained by dividing (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive distribution of principal of such Collateral Debt Security and (b) the respective amounts of principal of such scheduled distributions by (ii) the sum of all successive scheduled distributions of principal on such Collateral Debt Security.

Standard & Poor's Minimum Recovery Rate Test. The "Standard & Poor's Minimum Recovery Rate Test" will be satisfied as of the Ramp-Up Completion Date if the Standard & Poor's Recovery Rate as of the Ramp-Up Completion Date is equal or greater than (i) 35% with respect to the Class A Notes, (ii) 42% with respect to the Class B Notes, (iii) 55% with respect to the Class C Notes and (iv) 60% with respect to the Preference Shares.

The "Standard & Poor's Recovery Rate" means, as of any Measurement Date, the number (expressed as a percentage and rounded up to the first decimal place) obtained by summing the products obtained by (i) multiplying the principal balance of each Collateral Debt Security on such Measurement Date by its Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (b) of the definition of "Applicable Recovery Rate") and (ii) dividing such sum by the Aggregate principal balance of all Collateral Debt Securities on such Measurement Date. For purposes of determining the Standard & Poor's Recovery Rate, the principal balance of a Defaulted Security or a Deferred Interest PIK Bond will be deemed to be equal to its outstanding principal balance.

Dispositions of Collateral Debt Securities

The Collateral Debt Securities may be retired prior to their respective final maturities due to, among other things, the existence and frequency of exercise of any optional or mandatory redemption features of such Collateral Debt Securities. In addition, pursuant to the Indenture and so long as no Event of Default has occurred and is continuing, the Collateral Manager may direct the Trustee to sell:

(1) any Defaulted Security (excluding any Synthetic Security Counterparty Default not identified in clause (ii) of the definition thereof) at any time;

(2) any equity security acquired by the Issuer as a result of the exercise or conversion of Collateral Debt Securities, in conjunction with the purchase of Collateral Debt Securities or in exchange for a Defaulted Security (any of the foregoing, an "Equity Security") at any time; and

(3) any Credit Risk Security at any time.

Proceeds of sale of any Defaulted Security, Equity Security or Credit Risk Security will be deposited in the Collection Account for application as Principal Proceeds on the Distribution Date following such sale.

"Credit Risk Security" means any Collateral Debt Security that satisfies any of the following: (a) so long as no rating of any Class of Notes has been reduced or withdrawn by Moody's, the Collateral Manager believes (as of the date of the Collateral Manager's determination based upon currently available information) that such Collateral Debt Security has a risk of declining in credit quality or, with lapse of time, becoming a Defaulted Security, (b) if the rating of any Class of Notes has been reduced or withdrawn by Moody's, such Collateral Debt Security has been downgraded or put on a watch list for possible downgrade by Moody's by one or more rating subcategories since it was acquired by the Issuer and the Collateral Manager believes (as of the date of the Collateral Manager's Determination based upon currently available information) that such Collateral Debt Security has a risk of declining in credit quality and, with lapse of time, becoming a Defaulted Security; or (c) at any time, such Collateral Debt Security is a Written Down Security.

"Defaulted Security" means any Collateral Debt Security:

(1) with respect to which there has occurred and is continuing a payment default thereunder (without giving effect to any applicable grace period or waiver); *provided* that a payment default of up to the lesser of (x) the number of days until the next Determination Date and (y) five Business Days, with respect to which the Collateral Manager certifies to the Trustee, in its judgment, is due to non-credit and non-fraud related reasons shall not cause a Collateral Debt Security to be classified as a Defaulted Security;

(2) as to which a bankruptcy, insolvency or receivership proceeding has been initiated with respect to the issuer of such Collateral Debt Security, or there has been proposed or effected any distressed exchange or other debt restructuring where the issuer of such Collateral Debt Security has offered the holders thereof a new security or package of securities that, in the judgment of the Collateral Manager, either (x) amounts to a diminished financial obligation or (y) has the purpose of helping the borrower to avoid default, *provided* that a security that was acquired in exchange for a Collateral Debt Security in connection with a distress exchange or other debt restructuring shall not constitute a "Defaulted Security" under this clause (2) if it satisfies the requirements of the definition of a "Collateral Debt Security";

(3) as to which the Collateral Manager knows the issuer thereof is in default (without giving effect to any applicable grace period or waiver) as to payment (if, in the Collateral Manager's judgment, such default is due to non-credit related reasons, beyond the lesser of (i) the number of days until the next Determination Date and (ii) five Business Days) of principal and/or interest on another obligation (and such payment default has not been cured through the payment in cash of principal and interest then due and payable or waived by all the holders of such security) which is senior or pari passu in right of payment to such Collateral Debt Security and which obligation and such Collateral Debt Security are secured by common collateral; *provided* that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (3) if (a) the Collateral Manager has notified the Rating Agencies in writing of its decision not to treat such Collateral Debt Security as a Defaulted Security and (b) such decision satisfies the Rating Condition with respect to Standard & Poor's;

(4) that is rated (i) "CC" or lower or "SD" by Standard & Poor's or (if publicly rated by Standard & Poor's on the date of acquisition thereof by the Issuer) such public rating has been withdrawn for credit-related reasons by Standard & Poor's or (ii) "Ca or "C" by Moody's;

(5) that is a Defaulted Synthetic Security;

(6) that is a Synthetic Security (other than a Defaulted Synthetic Security) with respect to which there is a Synthetic Security Counterparty Default; or

(7) that is a Deliverable Obligation or Synthetic Security Collateral that would not satisfy paragraphs (1) through (4) and (6) through (18) of the Eligibility Criteria and each of the Portfolio Percentage Limitations at the time such Deliverable Obligation or Synthetic Security Collateral is delivered to the Issuer.

The Collateral Manager shall be deemed to have knowledge of all information actually received by any portfolio manager employed by the Collateral Manager who performs portfolio management functions for the Issuer or by any credit analyst who performs credit analysis functions for such portfolio manager with respect to the Issuer, and shall be responsible under the Collateral Management Agreement (to the extent provided therein) for obtaining and reviewing information available to it (except to the extent any such information has been withheld from the Collateral Manager by the Trustee or the Issuer). Notwithstanding the foregoing, the Collateral Manager may declare any Collateral Debt Security to be a Defaulted Security if, in the Collateral Manager's judgment, the credit quality of the issuer of such Collateral Debt Security has significantly deteriorated such that there is a reasonable expectation of payment default as of the next Due Date. Nothing in this definition shall be deemed to require any employee (including any portfolio manager or credit analyst) of the Collateral Manager to obtain, use or share with or otherwise distribute to any other person or entity (a) any information that he or she would be prohibited from obtaining, using, sharing or otherwise distributing by virtue of the Collateral Manager's internal policies relating to confidential communications or (b) material non-public information.

"Defaulted Synthetic Security" means a Synthetic Security referencing a Reference Obligation that would, if such Reference Obligation were a Collateral Debt Security, constitute a "Defaulted Security" under clauses (1) through (4) and (7) of the definition thereof; *provided* that, if a Synthetic Security references more than one Reference Obligation or references a pool of mortgage loans, such Synthetic Security will be a Defaulted Synthetic Security only if a specified aggregate notional amount (as specified in the Underlying Instrument of the related Synthetic Security) of such specified Reference Obligations or pool of mortgage loans would, if such Reference Obligations were Collateral Debt Securities, constitute a "Defaulted Security" under clauses (1) through (4) and (7) of the definition thereof.

"Synthetic Security Counterparty Default " means a Synthetic Security (other than a Defaulted Synthetic Security) with respect to which:

(a) (i) the long-term debt obligations of the relevant Synthetic Security Counterparty are rated (A) less than "A3" by Moody's, (B) "A3" by Moody's and such rating is on watch for possible downgrade or (C) "D" or "SD" by Standard & Poor's, or (ii) the rating of the relevant Synthetic Security Counterparty by Standard & Poor's is withdrawn for reasons relating to the credit quality of such Synthetic Security Counterparty; *provided* that, notwithstanding the foregoing, if at any time after such withdrawal or reduction such Synthetic Security is a credit default swap under which the Synthetic Security Counterparty shall have provided collateral to or for the benefit of the Issuer with a value equal to or greater than any termination payment that would then be due to the Issuer upon the termination of such credit default swap, no Synthetic Security Counterparty Default shall be deemed to exist with respect to such Synthetic Security; or

(b) such Synthetic Security Counterparty has defaulted in the performance of any of such Synthetic Security Counterparty's payment obligations under such Synthetic Security.

"Written Down Security" means any Collateral Debt Security as to which the aggregate par amount of such Collateral Debt Security and all other securities secured by the same pool of collateral that rank pari passu with or senior in priority of payment to such Collateral Debt Security exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral).

Pursuant to the Indenture, the Issuer shall use all commercially reasonable efforts to sell any Defaulted Security (other than a Synthetic Security the Reference Obligation of which is a credit-linked note that became a Defaulted Security due to a payment default by the Synthetic Security Counterparty) at a price which, in the sole judgment of the Collateral Manager, is commercially reasonable within one year after such Collateral Debt Security became a Defaulted Security (or within one year of such later date as such Collateral Debt Security may first be sold in accordance with its terms and applicable law); *provided* that (a) the Issuer may at any time, so long as it has complied with its obligation to use all commercially reasonable efforts to sell such Defaulted Security in accordance with the foregoing, hold any Collateral Debt Security that is a Defaulted Security for a period in excess of one year after such Collateral Debt Security became a Defaulted Security (any such Collateral Debt Security, an "Extended Defaulted Security") if, in the sole judgment of the Collateral Manager, continuing to hold such Extended Defaulted Security for such extended period is in the best commercial interests of the Issuer, (b) from and including the date three years after any such Extended Defaulted Security first became a Defaulted Security (or such later date as such Extended Defaulted Security may first be sold in accordance with its terms and applicable law), such Extended Defaulted Security (each, a "Three Year Extended Defaulted Security") shall be deemed to constitute an Equity Security for all purposes of the Indenture except that it will not be subject to the provisions relating to sale of Equity Securities set forth in the Indenture and (c) if the aggregate principal balance of all Extended Defaulted Securities at any time exceeds 3% of the Net Outstanding Portfolio Collateral Balance, the Collateral Manager shall promptly identify in a written notice to the Trustee Extended Defaulted Securities with an aggregate principal balance which, when taken together with the aggregate principal balance of all Three Year Extended Defaulted Securities, is equal to or exceeds the amount of such excess, and each Extended Defaulted Security identified in such notice shall, in addition to the Three Year Extended Defaulted Securities, be deemed to constitute an Equity Security for all purposes of the Indenture except that it will not be subject to the provisions relating to sale of Equity Securities set forth in the Indenture.

Any Equity Security received in exchange for a Defaulted Security that is not "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System must be sold within one year after the related Collateral Debt Security became a Defaulted Security (or within one year of such later date as such security may first be sold in accordance with its terms). Any Equity Security that is "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System must be sold within five Business Days after the Issuer's receipt thereof (or within five Business Days of such later date as such security may first be sold in accordance with its terms and applicable law).

In the event of an Auction Call Redemption, Optional Redemption or a Tax Redemption of the Notes, the Collateral Manager may direct the Trustee to sell Collateral Debt Securities without regard to the foregoing limitations; *provided* that (i) the proceeds therefrom will be at least sufficient to pay certain expenses and other amounts (including, without limitation, any accrued and unpaid amounts, any termination payments and any interest accrued thereon payable by the Issuer pursuant to any Hedge Agreement) and redeem in whole but not in part all Notes to be redeemed simultaneously; and (ii) such proceeds are used to make such a redemption. See "Description of the Notes—Optional Redemption and Tax Redemption" and "—Auction Call Redemption".

The Collateral Manager, its Affiliates and any account for which the Collateral Manager or an Affiliate of the Collateral Manager acts as investment adviser (and for which the Collateral Manager or such Affiliate has discretionary authority) shall be entitled to bid on any Collateral Debt Security to be sold by the Issuer pursuant to the Indenture; *provided* that (i) bona fide bids have been received with respect to such Collateral Debt Security from at least two other nationally recognized Independent dealers and (ii) the aggregate principal balance of Credit Risk Securities sold by the Issuer to the Collateral Manager, its Affiliates and any account for which the Collateral Manager or an Affiliate of the Collateral Manager acts as investment adviser (and for which the Collateral Manager or such Affiliate has discretionary authority) may not exceed U.S.\$40,000,000.

Any purchase or disposition of a Collateral Debt Security will be conducted on an "arm's-length basis" for a price which, in the judgment of the Collateral Manager, is not substantially less than fair market value and in accordance with the requirements of the Collateral Management Agreement and all requirements of any applicable laws. The Trustee shall have no responsibility to oversee compliance with the above conditions by the other parties.

The Hedge Agreements

On the Closing Date, the Issuer will enter into an interest rate swap and cap agreement (such agreement, and any replacement therefor entered into in accordance with the Indenture, the "Interest Rate Hedge Agreement") with a counterparty satisfying the rating requirements imposed by the Rating Agencies (together with its successors and permitted assigns, the "Interest Rate Hedge Counterparty").

In addition, on the Closing Date, the Issuer will enter into a basis swap (together with any replacement therefor, the "Basis Swap" and, together with the Interest Rate Hedge Agreement, the "Hedge Agreements" and each, a "Hedge Agreement") with a counterparty with respect to which the Rating Condition has been satisfied (together with any permitted assignee or successor, the "Basis Swap Counterparty" and, together with the Interest Rate Hedge Counterparty, the "Hedge Counterparties" and each, a "Hedge Counterparty").

The initial Interest Rate Hedge Counterparty and the initial Basis Swap Counterparty, effective on the Closing Date, shall be Merrill Lynch Capital Services, Inc., located at Merrill Lynch World Headquarters, 4 World Financial Center, 18th Floor, 4 World Financial Center, New York, New York 10080.

"Hedge Rating Determining Party" means, with respect to any Hedge Agreement, (a) unless clause (b) applies with respect to such Hedge Agreement, the related Hedge Counterparty or any transferee thereof or (b) any Affiliate of the related Hedge Counterparty or any transferee thereof that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the obligations of such Hedge Counterparty or such transferee, as the case may be, under such Hedge Agreement.

"Hedge Counterparty Ratings Requirement" means, with respect to a Hedge Rating Determining Party: (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term issuer credit rating of such Hedge Rating Determining Party is at least "A-1" by Standard & Poor's, or (ii) if no short-term issuer credit rating of such Hedge Rating Determining Party is rated by Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term issuer credit rating of such Hedge Rating Determining Party is at least "A+" by Standard & Poor's; and (b) (i)(x) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated "P-1" by Moody's and such rating is not on watch for possible downgrade and (y) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "A1" by Moody's or are rated "A1" by Moody's and such rating is not on watch for possible downgrade or (ii) if there are no such Moody's short-term debt obligations, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is not on watch for possible downgrade.

In respect of any Hedge Counterparty, following any failure of the related Hedge Rating Determining Party to satisfy the requirements of clause (b) of the definition of Hedge Counterparty Ratings Requirement (a "Collateralization Event"), such Hedge Counterparty shall within 10 days of the occurrence of such Collateralization Event either (A) post collateral pursuant to and in accordance with the credit support annex under the related Hedge Agreement or (B) obtain a substitute counterparty that (x) is reasonably acceptable to the Issuer and approved in writing by each of the Rating Agencies, (y) satisfies the Hedge Counterparty Ratings Requirement and (z) assumes the obligations of such Hedge Counterparty under the related Hedge Agreement (through an assignment and assumption agreement in form and substance reasonably satisfactory to the Issuer) or replaces the outstanding transactions under the related Hedge Agreement with transactions on identical terms, except that such Hedge Counterparty shall be replaced as counterparty.

In respect of any Hedge Counterparty, following the failure of the related Hedge Rating Determining Party to satisfy the requirements of clause (a) of the definition of "Hedge Counterparty Ratings Requirement (a "Ratings Event")", Ratings Event, such Hedge Counterparty shall take either of the following actions: (A) (x) such Hedge Counterparty shall (1) commence to actively seek to obtain a substitute counterparty that (i) is reasonably acceptable to the Issuer, (ii) satisfies the Rating Condition, (iii) satisfies the Hedge Counterparty Ratings Requirement and (iv) assumes the obligations of such Hedge Counterparty under the Indenture (through an assignment and assumption agreement in form and substance reasonably satisfactory to the Issuer) or replaces the outstanding transactions under the related Hedge Agreement with transactions on identical terms, except that such Hedge Counterparty shall be replaced as counterparty, and (2) be required to post collateral as set forth in (y); and (y) if such Hedge Counterparty has not obtained a substitute counterparty as set forth in (x) above within 30 days of the occurrence of such Ratings Event, then such Hedge Counterparty shall, on or prior to the expiration of such 30-day period, post collateral in accordance with the provisions of the credit support annex attached to the related Hedge Agreement and continue to actively seek to obtain a substitute counterparty that satisfies the requirements set forth in (x) above; or (B) such Hedge Counterparty shall, within 30 days of the occurrence of such Ratings Event, enter into any other agreement with or arrangement for the benefit of the Issuer and the Trustee that is reasonably satisfactory to the Trustee and the Collateral Manager on behalf of Party B and that satisfies the Rating Condition, *provided*, in each case, that such Hedge Counterparty shall bear or otherwise reimburse the Issuer for all reasonable costs associated with any actions taken pursuant to clause (c).

The Trustee shall deposit all collateral received from each Hedge Counterparty under a Hedge Agreement into separate securities accounts in the name of the Trustee and each such account will be designated a "Hedge Counterparty Collateral Account". Each Hedge Counterparty Collateral Account will be maintained for the benefit of the Noteholders, such Hedge Counterparty and the Trustee.

Each Hedge Agreement will be subject to termination, whether or not the Notes have been paid in full prior to such termination, upon the earlier to occur of:

- (a) certain events of bankruptcy, insolvency, receivership or reorganization of the Issuer or the related Hedge Counterparty;
- (b) failure on the part of the Issuer or the related Hedge Counterparty to make any payment under the applicable Hedge Agreement within the applicable grace period;
- (c) a change in law making it illegal for either the Issuer or the related Hedge Counterparty to be a party to, or perform an obligation under, the applicable Hedge Agreement;
- (d) certain tax events or a change in tax law affecting the Issuer or the related Hedge Counterparty;
- (e) the delivery of irrevocable notice of any liquidation of any of the Collateral pursuant to the Indenture following the occurrence of an Event of Default under the Indenture; and
- (f) any Auction Call Redemption, Optional Redemption or Tax Redemption.

If at any time a Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" (each as defined in the related Hedge Agreement) attributable to the Hedge Counterparty thereto or other comparable event, the Issuer and the Trustee shall take such actions (following the expiration of any applicable grace period) to enforce the rights of the Issuer and the Trustee thereunder as may be permitted by the terms of such Hedge Agreement and consistent with the terms hereof, and shall apply the proceeds of any such actions (including the proceeds of the liquidation of any collateral pledged by such Hedge Counterparty) to enter into a replacement Hedge Agreement on substantially identical terms or on such other terms satisfying the Rating Condition, and with a Hedge Counterparty with respect to which the Rating Condition shall have been satisfied. Any reasonable costs attributable to entering into a replacement Hedge Agreement which exceed the sum of the proceeds of the liquidation of the terminated Hedge Agreement shall be borne by the "defaulting party" or "sole affected party" (as each such term is defined

in the relevant Hedge Agreement) with respect to such "event of default" or "termination event". In determining the amount payable under the terminated Hedge Agreement, the Issuer will seek quotations from reference market-makers that satisfy the Hedge Counterparty Ratings Requirement. In addition, the Issuer will use its best efforts to cause the termination of a Hedge Agreement to become effective simultaneously with the entry into a replacement Hedge Agreement described as aforesaid.

The obligations of the Issuer under each Hedge Agreement are limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments.

The Accounts

Collection Accounts

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds constitute Interest Proceeds, and all payments, if any, received in Cash by the Issuer pursuant to the Interest Rate Hedge Agreements (other than amounts received by the Issuer by reason of an event of default or termination event under any Hedge Agreement or other comparable event that are required to be used for the purchase by the Issuer of a replacement Interest Rate Hedge Agreement) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Interest Collection Account").

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities to the extent such distributions or proceeds constitute Principal Proceeds (unless simultaneously reinvested in Collateral Debt Securities or Eligible Investments) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Principal Collection Account").

The Principal Collection Account and Interest Collection Account are collectively referred to herein as the "Collection Accounts". The Collection Accounts shall be maintained for the benefit of the Secured Parties and amounts credited thereto will be available, together with reinvestment earnings thereon, for application in the order of priority set forth above under "Description of the Notes—Priority of Payments" and for the acquisition of Collateral Debt Securities under the circumstances and pursuant to the requirements described herein and in the Indenture.

Amounts received in the Collection Accounts during a Due Period will be invested in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Distribution Date.

"Eligible Investments" include any Dollar-denominated investment that is one or more of the following (and may include investments for which the Trustee and/or its affiliates or the Collateral Manager and/or its Affiliates provides services or receives compensation):

- (a) cash;
- (b) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;
- (c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the

time of such investment or contractual commitment providing for such investment have a credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's in the case of long-term debt obligations, or "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's in the case of commercial paper and short-term debt obligations; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), (ii) in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;

- (d) unleveraged repurchase obligations with respect to (i) any security described in clause (b) above or (ii) any other Registered obligation issued or guaranteed by an agency or instrumentality of the United States, in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation (acting as principal) whose long-term rating is not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's or whose short-term credit rating is "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's at the time of such investment; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;
- (e) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's;
- (f) commercial paper or other short-term obligations with a maturity of not more than 183 days from the date of issuance and having at the time of such investment a credit rating of "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;
- (g) Registered reinvestment agreements issued by any bank or a Registered reinvestment agreement issued by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof, in each case, that has a credit rating of not less than "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's; and
- (h) interests in any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by Moody's, a rating of "AAAm" or "AAAm/G" by Standard & Poor's; *provided* that (i) such fund or vehicle is formed and has its principal office outside the United States and (ii) the ownership of an interest in such fund or vehicle will not subject the Issuer to net income tax in any jurisdiction,

and, in each case (other than clause (a)), with a stated maturity (giving effect to any applicable grace period) no later than the Business Day immediately preceding the Distribution Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (i) any mortgage-backed security, (ii) any security purchased at a price in excess of 100% of the par value thereof, (iii) any investment the income from or proceeds of disposition of which is or will be subject to deduction for or on account of any withholding or similar tax, (iv) any investment described in clauses (e) and (f) the terms of which are structured or negotiated by or on behalf of the Issuer, (v) any security whose repayment is subject to substantial non-credit related risk as determined in the judgment of the Collateral Manager or (vi) any Floating Rate Collateral Debt Security whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread or (vii) any security whose rating by Standard & Poor's includes the subscript "r", "t", "p", "pi" or "q" or (viii) any security which is subject to an Offer. Eligible Investments may be obligations of, and may be purchased from, the Trustee, the Collateral Manager and their respective affiliates, and may include obligations for which the Trustee or an affiliate thereof or the Collateral Manager or an Affiliate thereof receives compensation for providing services.

Payment Account

On or prior to the Business Day prior to each Distribution Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Payment Account") for the benefit of the Secured Parties all funds in the Collection Accounts required for payments to Noteholders and payments of fees and expenses in accordance with the priority described under "Description of the Notes—Priority of Payments".

Uninvested Proceeds Account

On the Closing Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Uninvested Proceeds Account") all Uninvested Proceeds (other than the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager), the expenses of offering the Offered Securities and amounts deposited in the Expense Account on such date). On and prior to the Ramp-Up Completion Date, the Collateral Manager on behalf of the Issuer may direct the Trustee to, and upon such direction the Trustee shall, invest funds in the Uninvested Proceeds Account in additional Collateral Debt Securities and, pending such investment in additional Collateral Debt Securities, such funds will be invested in Eligible Investments with stated maturities no later than the Business Day immediately preceding the next Distribution Date. Interest and other income from such investments shall be deposited in the Uninvested Proceeds Account, any gain realized from such investments shall be credited to the Uninvested Proceeds Account, and any loss resulting from such investments shall be charged to the Uninvested Proceeds Account. Investment earnings on Eligible Investments in the Uninvested Proceeds Account will be transferred to the Interest Collection Account and treated as Interest Proceeds on the first Distribution Date. The Trustee shall transfer any Uninvested Proceeds remaining on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date to the Payment Account to be treated as Principal Proceeds on the first Distribution Date and distributed in accordance with the Priority of Payments.

Expense Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager) and the expenses of offering the Offered Securities, U.S.\$100,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Account"). On each Distribution Date, to the extent that funds are available for such purpose in accordance with the Priority of Payments and subject to the dollar limitation set forth in paragraph (2) under "Description of the Notes—Priority of Payments—Interest Proceeds", the Trustee will deposit into the Expense Account an amount from Interest Proceeds (and, to the extent that Interest Proceeds are insufficient, from Principal Proceeds) such that the amount on deposit in the Expense Account (after giving effect to such deposit) will equal U.S.\$100,000. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued and unpaid

administrative expenses of the Co-Issuers (other than fees and expenses of the Trustee). All funds on deposit in the Expense Account will be invested in Eligible Investments. All amounts remaining on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Distribution Date.

Interest Reserve Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager), the expenses of offering the Offered Securities and the proceeds of the offering of the Offered Securities deposited into the Expense Account, U.S.\$50,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Interest Reserve Account"). All funds on deposit in the Interest Reserve Account will be invested in Eligible Investments. Except as otherwise provided in the Indenture, the only permitted withdrawals from the Interest Reserve Account shall be to transfer to the Payment Account for application as Interest Proceeds on the first Distribution Date the amount standing to the credit of the Interest Reserve Account on such date.

Synthetic Security Counterparty Accounts

If and to the extent that any Synthetic Security requires the Issuer to secure its obligations with respect to such Synthetic Security, the Trustee will establish a segregated trust account in respect of each such Synthetic Security (each such account, a "Synthetic Security Counterparty Account") that will be held in the name of the Trustee in trust for the benefit of the related Synthetic Security Counterparty and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture. As directed by the Collateral Manager, the Trustee will withdraw from the Principal Collection Account and deposit into each Synthetic Security Counterparty Account the amount required to secure the obligations of the Issuer in accordance with the terms of the related Synthetic Security. The Collateral Manager shall direct any such deposit only to the extent that monies are available for the purchase of Collateral Debt Securities in accordance with the terms of the Indenture. All assets in any Synthetic Security Counterparty Account must be Eligible Investments. Except for investment earnings, the Issuer shall not have any legal, equitable or beneficial interest in any of the Synthetic Security Counterparty Accounts other than in accordance with the Indenture, the applicable Synthetic Security and applicable law.

Amounts credited to a Synthetic Security Counterparty Account will be withdrawn by the Trustee and applied to the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty. To the extent that the Issuer is entitled to receive interest on Eligible Investments credited to a Synthetic Security Counterparty Account, the Collateral Manager may direct the Trustee to deposit such amount in the Interest Collection Account. Except for interest on Eligible Investments credited to a Synthetic Security Counterparty Account pursuant to the preceding paragraph, amounts contained in a Synthetic Security Counterparty Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests, but the Synthetic Security that relates to such Synthetic Security Counterparty Account shall be considered an asset of the Issuer for such purposes.

The Collateral Manager shall direct the Trustee to withdraw any other amounts held in a Synthetic Security Counterparty Account after payment of all amounts owing from the Issuer to the related Synthetic Security Counterparty in accordance with the terms of the related Synthetic Security from such Synthetic Security Counterparty Account and deposit such amounts in the Principal Collection Account for application in accordance with the terms of the Indenture.

Synthetic Security Issuer Accounts

If and to the extent that any Synthetic Security requires the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee will establish a single, segregated trust account held in the name of the Trustee for the benefit of the Secured Parties (each such account, a "Synthetic Security

Issuer Account"). Upon Issuer Order, the Trustee, the Issuer and the Custodian shall enter into an account control agreement with respect to such account in form substantially similar to the Account Control Agreement. The Trustee shall deposit into each Synthetic Security Issuer Account all amounts that are received from the Synthetic Security Counterparty to secure the obligations of such Synthetic Security Counterparty in accordance with the terms of such Synthetic Security.

As directed by the Collateral Manager in writing and in accordance with the applicable Synthetic Security, amounts on deposit in a Synthetic Security Issuer Account shall be invested in Eligible Investments. Income received on amounts on deposit in each Synthetic Security Issuer Account shall be withdrawn from such account and paid to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security.

Amounts in any Synthetic Security Issuer Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests, but the Synthetic Security that relates to such Synthetic Security Issuer Account shall be so considered an asset of the Issuer for such purposes.

In accordance with the terms of the applicable Synthetic Security, amounts contained in the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager in writing, be withdrawn by the Trustee and applied to the payment of any amount payable by the related Synthetic Security Counterparty to the Issuer. Any excess amounts held in a Synthetic Security Issuer Account after payment of all amounts owing from the related Synthetic Security Counterparty to the Issuer as a result of an event of default or termination event shall be withdrawn from such Synthetic Security Issuer Account and paid to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security.

Each Synthetic Security Issuer Account shall remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers and having a long-term debt rating of at least "Baa1" by Moody's and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.\$250,000,000.

Custodial Account

The Trustee shall, prior to the Closing Date, cause the Custodian to establish a securities account (the "Custodial Account") in the name of the Trustee into which the Trustee shall from time to time deposit Collateral. All Collateral from time to time deposited in, or otherwise standing to the credit of, the Custodial Account shall be held by the Trustee as part of the Collateral and shall be applied in accordance with the terms of the Indenture.

Hedge Counterparty Collateral Account

The Trustee shall, prior to the Closing Date, cause to be established one or more securities accounts (each, a "Hedge Counterparty Collateral Account") in the name of the Trustee into which the Trustee shall from time to time deposit collateral received from a Hedge Counterparty under a Hedge Agreement and shall be applied in accordance with the terms of the Indenture.

THE COLLATERAL MANAGER

The information appearing in this section has been prepared by the Collateral Manager and has not been independently verified by the Co-Issuers, the Initial Purchaser, the Trustee or any other person. Accordingly, the Collateral Manager assumes the responsibility for the accuracy, completeness or applicability of such information.

Terwin Money Management LLC

Terwin Money Management LLC ("TMM") will act as Collateral Manager.

TMM is a wholly-owned subsidiary of Terwin Asset Management LLC ("TAM"). TAM is the recently formed asset management business of The Winter Group of companies, focusing on credit-related mortgage-backed securities investments. TMM is dedicated to the issuance and management of structured finance CDOs and other investment funds. TMM is comprised of individuals with extensive expertise in mortgage credit investing. Their objective is to seek delivery of attractive returns by purchasing high quality assets which conform to the core of the team's expertise.

Investment Strategy

TMM strives to provide a value oriented, highly disciplined approach, investing in mortgage credit assets designed to perform over the long term. In order to maximize returns and minimize losses, TMM generally conducts a high level of due diligence prior to purchasing bonds from an issuer and maintains a high level of surveillance subsequent to purchase. Generally, prior to approving an issuer/servicer company, financial statements, underwriting guidelines and historical performance data are reviewed as well as rating agency reviews. A thorough on-site review is completed, including meeting with senior management and department heads to assess the quality of both the product originated and the servicing platform. Once approved, an analysis is performed to determine the relative value of the issuer's collateral, based on credit enhancement, rating and spread, and to set parameters of collateral type or rating level that can be purchased for that issuer. Bond structure is stressed under various default, recovery, prepayment and economic scenarios to ensure that credit support is adequate for the risk taken. Bond collateral characteristics are reviewed for strengths and weaknesses. The effect on portfolio diversity is considered with each transaction.

Loss mitigation is supported through dialogue with the seller/servicer and close performance tracking on a bond-by-bond basis, including monthly or quarterly review of delinquency/loss ratios and actual versus projected performance.

TMM Personnel

Set forth below is information regarding certain officers and employees of the Collateral Manager. Such persons may not necessarily continue to be so employed during the entire term of the Collateral Management Agreement.

Sam Rainieri

Ms. Rainieri is Senior Vice President and Chief Investment Officer. Ms. Rainieri has over 20 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. Ms. Rainieri was Senior Vice President/Portfolio Manager at AIG SunAmerica Investments, where she managed several subordinated mortgage-backed securities portfolios. During her tenure at AIG, SunAmerica, Ms. Rainieri managed a multi-billion dollar portfolio of which 60% were subordinated securities and the balance were senior securities. Over a ten year period, the subordinated portfolio experienced minimal losses, significant upgrades and minimal downgrades. 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 also executed. 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.

Karen Schnurr

Ms. Schnurr is Operations Manager and responsible for Investor Relations. Ms. Schnurr has 18 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 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 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. She forecasted investment income for annual and quarterly business plans, coordinating investment assumptions with various department managers. She also managed a short term portfolio for a newly acquired subsidiary.

Jim Sauer, CPA

Mr. Sauer is responsible for all audit and control matters for TMM. Mr. Sauer 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. Mr. Sauer's experience with AstraZeneca included financial reporting, several international M&A projects and currency hedging analysis. Mr. Sauer has a B.S. from Rutgers University, an MBA from Temple University and is a CPA.

Madelyn Schwartz

Ms. Schwartz is Vice President of Credit and has over 25 years of credit experience. Ms. Schwartz's expertise includes risk management, compliance, loan servicing, loan origination, business applications and project management.

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. 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) and 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.

Steve Sherwyn

Mr. Sherwyn is responsible for all internal legal and compliance matters for TMM. Prior to making the move to Wall Street, Mr. Sherwyn practiced tax law for seven years. He joined Oppenheimer & Co., Inc. in 1993 where as a Vice President in the Fixed Income Department he was responsible for the origination, structuring and placement of structured product. In 1996, he was one of the four founding members of the Commercial Mortgage Department of Daiwa Securities America, Inc. where he initially ran the group's contract finance area and subsequently was in charge of their high LTV residential mortgage business. In 2000, Mr. Sherwyn joined the Asset Securitization Department of SG Cowen Securities Corporation where he was instrumental in the formation of their CMBS effort. He later became a Managing Director in the Sports Advisory Group, providing investment banking services and financing to professional sports franchises and leagues. Mr. Sherwyn has a B.S. in Economics from the Wharton School of the University of Pennsylvania, a J.D. from Stanford University Law School and a L.L.M. in Taxation from New York University Law School. He is a member of the both the New York and New Jersey Bars.

Richard Winter, CPA

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. Mr. Winter ran the #1 ranked Whole Loan CMO desk for 21 straight quarters, from June 1995 until September 2000, with a market share that exceeded 20%. In 2000, DLJ was acquired by Credit Suisse First Boston and Mr. Winter 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 include Jumbo A, Alt-A, A-Minus, Sub-prime, Scratch and Dent and Non-performing. Mr. Winter was twice awarded DLJ "Super Achiever" Award, given to the top 1% at the firm. Mr. Winter has a B.A. from Wesleyan University, a MBA from New York University and is a CPA.

Thomas Guba

Thomas Guba is responsible for all administrative aspects of The Winter Group. Mr. Guba 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, Mr. Guba was responsible for all structured product sales, which included MBS, CMBS, Asset Backed and CLO/CBOs. Mr. Guba is a graduate of Cornell University and has an MBA from New York University.

THE COLLATERAL MANAGEMENT AGREEMENT

General

Certain administrative and advisory functions with respect to the Collateral will be performed by the Collateral Manager under the collateral management agreement to be entered into between the Issuer and the Collateral Manager (the "Collateral Management Agreement"). In accordance with the Eligibility Criteria and other requirements set forth in the Indenture, and in accordance with the provisions of the Collateral Management Agreement, the Collateral Manager will (i) select the portfolio of Collateral Debt Securities during the period from the Closing Date to (and including) the Ramp-Up Completion Date, (ii) instruct the Trustee with respect to any disposition or tender of a Collateral Debt Security and investments in Eligible Investments, (iii) monitor the Collateral Debt Securities, (iv) monitor the performance of the relevant Hedge Counterparty under each Hedge Agreement, including, without limitation, the continuing ability of such counterparty to perform its obligations thereunder and otherwise comply with the applicable ratings requirements set forth in the Indenture and/or the applicable Hedge Agreement and (v) provide the Issuer with certain information received from JPMorgan Chase Bank (the "Collateral Administrator") as described below, with respect to the composition of the Collateral Debt Securities or any disposition or tender of a Collateral Debt Security.

In addition, pursuant to the terms of the Collateral Administration Agreement between the Issuer, the Collateral Manager and the Collateral Administrator (the "Collateral Administration Agreement"), the Issuer will retain the Collateral Administrator to prepare certain reports with respect to the Collateral Debt Securities. The compensation paid to the Collateral Administrator by the Issuer for such services will be in addition to the fees paid to the Collateral Manager and to JPMorgan Chase Bank in its capacity as Trustee, and will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth under "Description of the Notes—Priority of Payments".

Compensation

As compensation for the performance of its obligations as Collateral Manager under the Collateral Management Agreement, the Collateral Manager will receive a fee (the "Collateral Management Fee"), to the extent of the funds available for such purpose in accordance with the Priority of Payments. The Collateral Management Fee will consist of the Senior Management Fee and the Subordinate Management Fee.

The "Senior Management Fee" will accrue from the Closing Date at a rate per annum of 0.20% of the Quarterly Asset Amount payable in arrears on each Distribution Date (i.e., 0.05% (adjusted, in the case of the Quarterly Asset Amount with respect to the first Distribution Date, to reflect the portion of a year represented by the initial Interest Period) multiplied by such Quarterly Asset Amount). The "Subordinate Management Fee" will accrue from the Closing Date at a rate per annum of 0.24% per annum of the Quarterly Asset Amount, payable in arrears on each Distribution Date (i.e., 0.06% multiplied by such Quarterly Asset Amount). The Collateral Management Fee will, in each case, accrue on the basis of a year of 360 days and twelve 30-day months.

In addition, in the event that an Optional Redemption or Tax Redemption occurs on or prior to the Distribution Date in March 2012, or the Notes are redeemed following an Event of Default on or prior to the Distribution Date in March 2012, the Collateral Manager shall be entitled to receive an amount payable on the applicable date of redemption equal to the amount specified in a notice from the Administrative Agent to the Trustee and the Collateral Manager no later than the sixth Business Day prior to the scheduled date of redemption; *provided* that in no event will the Collateral Management Fee Makewhole exceed U.S.\$5,750,000 (the "Collateral Management Fee Makewhole").

To the extent not paid on any Distribution Date when due, any accrued Senior Management Fee or Subordinate Management Fee will be deferred and will be payable on subsequent Distribution Dates in accordance with the Priority of Payments. Any unpaid Collateral Management Fee that is deferred due to the operation of the Priority of Payments will not accrue interest. Any Collateral Management Fee

accrued prior to the resignation or removal of the Collateral Manager will continue to be payable to the Collateral Manager on the Distribution Date immediately following the effectiveness of such resignation or removal.

The Collateral Manager will be responsible for its own expenses incurred in the course of performing its obligations under the Collateral Management Agreement; *provided* that the Collateral Manager shall not be liable for expenses and costs incurred in effecting or directing repurchases and sales of Collateral Debt Securities and Eligible Investments, negotiating with issuers of Collateral Debt Securities as to proposed modifications or waivers, taking action or advising the Trustee with respect to the Issuer's exercise of any rights or remedies in connection with the Collateral Debt Securities and Eligible Investments, including in connection with an Offer or default, participating in committees or other groups formed by creditors of an issuer of Collateral Debt Securities, and consulting with and providing each Rating Agency with any information in connection with its maintenance of the ratings of the Notes. Such expenses will be paid by the Issuer.

The Collateral Manager may pledge or otherwise assign all or a portion of its right to receive payment of Collateral Management Fees and dividends and other distributions on Preference Shares owned by it for the purpose of financing its acquisition of Preference Shares.

Standard of Care

The Collateral Manager shall perform its obligations under the Collateral Management Agreement with reasonable care (i) using a degree of skill and attention no less than that which the Collateral Manager exercises with respect to comparable assets that it manages for itself and (ii) without limiting the foregoing, in a prudent and commercially reasonable manner consistent with its understanding of practices and procedures applied by managers of portfolios of assets of the nature and character of the Collateral (such standard of care, the "Collateral Manager Standard of Care").

Limitation of Liability

The Collateral Manager shall not be responsible for any action or inaction of the Issuer or the Trustee in declining to follow any advice, recommendation or direction of the Collateral Manager. The Collateral Manager, its directors, officers, stockholders, partners, members, agents and employees, and its Affiliates and their directors, officers, stockholders, partners, members, agents and employees, shall not be liable to the Issuer, the Trustee, the Noteholders or any other Person for any losses, claims, damages, judgments, assessments, costs or other liabilities incurred by the Issuer, the Trustee, or the Noteholders that arise out of or in connection with the performance by the Collateral Manager of its duties hereunder, except by reason of or with respect to any Collateral Manager Breach. A "Collateral Manager Breach" means the occurrence of either of the following events: (i) any acts or omissions constituting bad faith, willful misconduct, gross negligence or breach of fiduciary duty in the performance, or reckless disregard, of the obligations of the Collateral Manager under the Collateral Management Agreement or (ii) any information concerning the Collateral Manager provided in writing by the Collateral Manager for inclusion in the Offering Circular containing any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The Collateral Manager shall not have any duties or obligations except those expressly set forth in the Collateral Management Agreement. Without limiting the generality of the foregoing, (i) the Collateral Manager shall not be subject to any fiduciary or other implied duties, (ii) the Collateral Manager shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated in the Collateral Management Agreement, and (iii) except as expressly set forth therein, the Collateral Manager shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any issuer of any Collateral Debt Security or Equity Security or any of its Affiliates that is communicated to or obtained by the Collateral Manager or any of its Affiliates.

Indemnification

The Issuer will agree to indemnify and hold harmless the Collateral Manager and its affiliates from and against any and all losses, claims, damages, judgments, assessments, costs or other liabilities, and will reimburse each such Indemnified Party for all reasonable fees and expenses (including reasonable fees and expenses of counsel) as such fees and expenses are incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation, caused by, or arising out of or in connection with, the issuance of the Notes, the transactions contemplated by the Offering Circular, the Indenture or the Collateral Management Agreement, and/or any action taken by, or any failure to act by, the Collateral Manager or any of its affiliates; *provided* that the Collateral Manager and its affiliates will not be indemnified for any such losses, claims, damages, judgments, assessments, costs or other liabilities or any fees or expenses that they incur as a result of any acts or omissions constituting a Collateral Manager Breach. Any such indemnification by the Issuer will be paid subject to, and in accordance with, the Priority of Payments.

Assignment

The Collateral Manager may not assign or delegate any rights or obligations under the Collateral Management Agreement unless such assignment or delegation (i) is consented to in writing by the Issuer, (ii) is consented to by the holders of at least 66-2/3% in aggregate outstanding principal amount of the Controlling Class and a Special-Majority-in-Interest of Preference Shareholders and (iii) satisfies the Rating Condition, except the Collateral Manager may, pursuant to the Collateral Management Agreement, enter into arrangements pursuant to which its Affiliates or third parties may perform certain services and render certain advice on behalf of the Collateral Manager, but such arrangements shall not relieve the Collateral Manager from any of its duties or obligations thereunder.

Resignation and Removal

Resignation

At any time following the Ramp-Up Completion Date, the Collateral Manager may resign, upon 90 days' (or such shorter notice as is acceptable to the Issuer) written notice to the Issuer.

Termination of Collateral Manager without Cause.

At any time, the Collateral Manager may be removed without cause upon 45 days' prior written notice by the Issuer at the direction of at least 66-2/3% of each Class of Notes.

Termination of Collateral Manager for Cause.

The Collateral Manager may be removed upon 15 days' prior written notice given by the Issuer to the Collateral Manager at the direction of (a) the holders of at least 66-2/3% of all the Notes (voting as a single class) or (b) a Special-Majority-in-Interest of Preference Shareholders, if any of the following events has occurred and is continuing with respect to the Collateral Manager: (i) the Collateral Manager willfully breaches, or takes any action that it knows violates, any provision of the Collateral Management Agreement or any term of the Indenture applicable to it, other than a willful breach or knowing violation that results from a good faith dispute on reasonable alternative courses of action or interpretation of instructions; (ii) the Collateral Manager breaches in any material respect any provision of the Collateral Management Agreement or any terms of the Indenture applicable to it and fails to cure such breach within 30 days after notice of such failure is given to the Collateral Manager unless, if such failure is remediable, the Collateral Manager has taken action that the Collateral Manager in good faith believes will remedy, and that does in fact remedy, such failure within 90 days after notice of such failure is given to the Collateral Manager; (iii) any action shall be taken by the Collateral Manager that constitutes fraud against the Issuer; (iv) the Collateral Manager or any of its principals shall be convicted of a felony; or the Collateral Manager shall be indicted for, shall be adjudged liable in a civil suit for or shall be convicted of

a violation of the Securities Act or any other United States federal securities law or any rules or regulations thereunder; (v) a change of control shall occur with respect to the Collateral Manager and at least 66-2/3% of the Controlling Class shall have disapproved of such change of control within 45 days after receipt of notice thereof; (vi) an Event of Default occurs under the Indenture that consists of a default in the payment of principal of or interest on the Notes when due and payable or results from any breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement, which breach or default is not cured within any applicable cure period; (vii) certain bankruptcy events occur with respect to the Collateral Manager, (viii) Ms. Rainieri fails, for any reason, to be a director, officer or management-level employee of the Collateral Manager (unless the Collateral Manager proposes, and a Majority of the Controlling Class agrees (such agreement not to be unreasonably withheld), that the Collateral Manager replace Ms. Rainieri with another person with the ability and capacity to perform professionally and competently the duties similar to those performed by Ms. Rainieri; or (viii) certain other events occur as set forth in the Collateral Management Agreement. In determining whether the holders of the requisite percentage of the Notes and the Preference Shares have given such consent, Notes and Preference Shares owned by the Collateral Manager, or any Affiliate thereof, will be disregarded and deemed not to be outstanding.

Replacement Collateral Manager

In the event that Terwin Money Management LLC for any reason ceases to act as Collateral Manager (whether due to a resignation or removal) at a time when the Administrative Agency Agreement is effective, the Administrative Agent will automatically assume the obligations previously performed by the Collateral Manager; provided that if the Rating Condition with respect to Standard & Poor's is not satisfied with respect to the assumption by the Administrative Agent of the Collateral Manager's obligations under the Collateral Management Agreement, the Administrative Agent may, in its sole discretion, select a substitute administrative agent so long as the Rating Condition with respect to Standard & Poor's is satisfied with respect to such substitute administrative agent.

No resignation or removal of the Collateral Manager shall be effective at any time after the Administrative Agency Agreement has terminated in accordance with its terms (a) unless an Eligible Successor has agreed in writing to assume all of the Collateral Manager's duties and obligations under the Collateral Management Agreement, (b) unless such Eligible Successor has not been objected to by at least 66-2/3% of the Controlling Class within 30 days after notice of appointment of the successor Collateral Manager and (c) without 10 days' prior notice to the Rating Agencies and the Trustee. An "Eligible Successor" is an established institution that (i) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager hereunder and with a substantially similar (or better) level of expertise, (ii) is legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement, as successor to the resigning or removed Collateral Manager in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager under the Collateral Management Agreement and under the applicable terms of the Indenture, (iii) shall not cause the Issuer or the Co-Issuer or the pool of Collateral to become required to register under the provisions of the Investment Company Act, (iv) will perform its duties as Collateral Manager under the Collateral Management Agreement without causing adverse tax consequences to the Issuer or any Holder of Notes, and (v) the appointment of such successor Collateral Manager satisfies the Rating Condition.

Conflicts

In certain circumstances, the interests of the Issuer and/or the holders of the Offered Securities with respect to matters as to which the Collateral Manager is advising the Issuer may conflict with the interests of the Collateral Manager and its Affiliates. See "Risk Factors—Certain Conflicts of Interest".

ADMINISTRATIVE AGENCY AGREEMENT

Pursuant to the terms of the administrative agency agreement (the "Administrative Agency Agreement") among the Issuer, the Collateral Manager and an Affiliate of the Initial Purchaser (the

"Administrative Agent"), the Administrative Agent will agree that if Terwin Money Management LLC or any of its Affiliates ceases to act as Collateral Manager on any date on which the Administrative Agency Agreement is in effect, the Administrative Agent will automatically, without any further action on the part of any party, assume the obligations regarding the monitoring and administering of the Collateral Debt Securities; provided that such assumption by the Administrative Agent satisfies the Rating Condition with respect to Standard & Poor's or, if such assumption by the Administrative Agent does not so satisfy the Rating Condition with respect to Standard & Poor's, the Administrative Agent will be entitled, in its sole discretion, to select a substitute administrative agent provided such substitute administrative agent satisfies the Rating Condition with respect to Standard & Poor's. In such capacity, the Administrative Agent will perform on behalf of the Issuer certain duties specifically delegated to it in accordance with the Administrative Agency Agreement and the Indenture. The Administrative Agent may also advise the Issuer with respect to entering into, assigning, transferring and terminating the Hedge Agreements. The terms of the Administrative Agency Agreement will be substantially similar to the terms of the Collateral Management Agreement, and the rights and obligations of the Administrative Agent under the Administrative Agency Agreement will be substantially similar to the rights and obligations of the Collateral Manager under the Collateral Management Agreement. The Administrative Agent will have the right to terminate the Administrative Agency Agreement at any time upon notice to the Issuer.

As compensation for acting as Administrative Agent, the Administrative Agent will be entitled to fees in an amount equal to the Collateral Management Fees. In addition, the Administrative Agent will be entitled to indemnification by the Issuer on the same terms and under the same circumstances that Terwin Money Management LLC or any of its Affiliates in its role as Collateral Manager under the Collateral Management Agreement.

Certain conflicts of interest may arise from the Administrative Agent's assumption of its obligations under the Administrative Agency Agreement. Such conflicts of interest will be of the same nature as the potential conflicts of interest that are present while Terwin Money Management LLC or any of its Affiliates is acting as Collateral Manager and, therefore, reference is hereby made to the "Certain Conflicts of Interest – Conflicts of Interest Involving the Collateral Manager," above.

INCOME TAX CONSIDERATIONS

The following is a summary based on present law of certain Cayman Islands and U.S. Federal income tax considerations for prospective purchasers of the Notes and Preference Shares. It addresses only purchasers that buy in the original offering at the original offering price, hold the Notes or Preference Shares as capital assets and use the U.S. dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as banks, insurance companies, dealers, REITs, tax-exempt organizations or persons holding the Notes or Preference Shares as part of a hedge, straddle, conversion, integrated or constructive sale transaction) are subject to special tax regimes. The discussion is a general summary only. This summary is based on United States and Cayman Islands tax laws, regulations, rulings and decisions in effect or available on the date of this Offering Circular. All of the foregoing are subject to change, which change may apply retroactively and could affect the continued validity of this summary. It is not a substitute for tax advice. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES AND PREFERENCE SHARES UNDER THE LAWS OF THE CAYMAN ISLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "Holder" is a beneficial owner of a Note or a Preference Share. A "U.S. Holder" is a Holder that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity organized in or under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. Federal income taxation regardless of its source. A "Non-U.S. Holder" is any Holder other than a U.S. Holder.

Taxation of the Issuer

Cayman Islands Taxation

The Issuer will not be subject to income, capital, transfer, sales or corporation tax in the Cayman Islands. The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company, and it has received from the Governor in Council of the Cayman Islands an Undertaking as to Tax Concessions pursuant to Section 6 of the Tax Concessions Law (1999 Revision) providing that, for a period of 20 years from the date of such Undertaking, no law subsequently enacted in the Cayman Islands imposing any tax or withholding tax on profits, income, gains or appreciations will apply to the Issuer or its operations.

U.S. Taxation.

The Issuer expects to conduct its affairs so that it will not be engaged in a trade or business within the United States and its net income therefore will not be subject to U.S. Federal income tax. The Issuer also expects that payments received on the Collateral Debt Securities, the U.S. Agency Securities, the Eligible Investments and the Hedge Agreement will generally not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. There can be no assurance, however, that the Issuer's income will not become subject to net income or withholding taxes in the United States or other countries as the result of unanticipated activities by the Issuer, changes in law, contrary conclusions by relevant tax authorities or other causes. Payments with respect to Equity Securities likely will be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. The imposition of unanticipated net income or withholding taxes could materially impair the Issuer's ability to pay principal, interest and other amounts on the Notes and to make distributions on the Preference Shares.

Taxation of the Holders

Cayman Islands Taxation

No Cayman Islands withholding tax applies to payments on the Notes or to distributions on the Preference Shares. Holders are not subject to any income, capital, transfer, sales, or other taxes in the Cayman Islands in respect of their purchase, holding, or disposition of the Notes or Preference Shares (except that an instrument transferring title to a Note or Preference Share, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty).

U.S. Taxation of Notes.

Chapman and Cutler LLP, special U.S. Federal income tax counsel to the Collateral Manager, will deliver its opinion to the Issuer at closing that the Class A Notes and the Class B Notes will be treated, and the Class C Notes should be treated as debt for U.S. Federal income tax purposes. The Issuer intends to treat the Notes as debt for such purposes, and the following discussion assumes that each Class of the Notes will be debt.

U.S. Holders. Interest paid on a Note generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. Except as otherwise provided with respect to the Class A-2 Notes in the Class A-2 Notes Supplement, a U.S. Holder of a Floating Rate Note will accrue interest as follows: The U.S. Holder must accrue interest at a hypothetical fixed rate equal to the rate at which the Note bore interest on its issue date. The amount of interest actually recognized for any accrual period will increase (or decrease) if the interest actually paid during the period is more (or less) than the amount accrued at the hypothetical rate. U.S. Holders therefore generally will recognize income for each period equal to the amount paid during that period. Interest on a Note will be ordinary income. Assuming the Issuer is not engaged in a U.S. trade or business, the interest will be from sources outside the United States.

If there were more than a remote likelihood that the Issuer would defer interest payments on the Class C Notes, all interest payable on such Notes (including interest on accrued but unpaid interest) would be treated as original issue discount ("OID"). A U.S. Holder must include OID in ordinary income on a constant yield to maturity basis whether or not it receives a cash payment. The Issuer has determined that the likelihood of interest being deferred is for this purpose remote. However, if the Issuer defers an interest payment on a Class C Note the Holder thereafter must accrue OID on the principal amount (including accrued and undistributed OID) of the Note.

A U.S. Holder will recognize gain or loss on the disposition of a Note in an amount equal to the difference between the amount realized (other than accrued but unpaid interest) and the U.S. Holder's adjusted tax basis in the Note. The gain or loss generally will be capital gain or loss from sources within the United States. If a U.S. Holder accruing interest under the OID method recognizes a loss at a time when it has increased basis in its Note attributable to prior OID accruals, it may be required, under recently issued regulations regarding tax shelter transactions, to make specific disclosures regarding such losses on its tax return.

Non-U.S. Holders. Interest on the Notes paid to a Non-U.S. Holder will not be subject to U.S. withholding tax as long as the Issuer is not engaged in a U.S. trade or business and provided that the Non-U.S. Holder provides the applicable certification of Non-U.S. status. If the Issuer were engaged in a U.S. trade or business, interest paid to many Non-U.S. Holders would qualify for an exemption from withholding tax if the holders certify their foreign status. Interest paid to a Non-U.S. Holder also will not be subject to U.S. net income tax unless the interest is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Gain realized by a Non-U.S. Holder on the disposition of a Note will not be subject to U.S. tax unless (i) the gain is effectively connected with the Holder's conduct of a U.S. trade or business or (ii) the Holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met.

Alternative Treatment. The U.S. Internal Revenue Service (the "IRS") may challenge the treatment of the Notes, particularly the Class C Notes, as debt of the Issuer. If the challenge succeeded, the affected Notes would be treated as equity interests in the Issuer and the U.S. Federal income tax consequences of investing in those Notes would be similar to those of investing in the Preference Shares.

U.S. Taxation of Preference Shares

U.S. Holders. Subject to the passive foreign investment company rules, the controlled foreign corporation rules and the foreign personal holding company rules discussed below, a U.S. Holder generally must treat distributions received with respect to the Preference Shares as dividend income. Such dividends generally will not be eligible for the dividends-received deduction allowable to corporations. Except as otherwise required by the rules discussed below, gain or loss on the sale or other disposition of the Preference Shares will be capital gain or loss. Gain and loss realized by a U.S. Holder generally will be U.S. source income.

Investment in Passive Foreign Investment Company. The Issuer will be a passive foreign investment company (a "PFIC"). A U.S. Holder therefore will be subject to additional tax on excess distributions received on the Preference Shares or gains realized on the disposition of the Preference Shares. A U.S. Holder will have an excess distribution if distributions received on the Preference Shares during any tax year exceed 125% of the average amount received during the three preceding tax years (or, if shorter, the U.S. Holder's holding period). Gifts, exchanges pursuant to corporate reorganizations, pledges of the Preference Shares as security for a loan and certain other constructive disposition transactions may be treated as taxable distributions for purposes of these rules. To compute the tax on an excess distribution or any gain, (i) the excess distribution or gain is allocated ratably over the U.S. Holder's holding period, (ii) the amount allocated to the current tax year is taxed as ordinary income and (iii) the amount allocated to each previous tax year is taxed at the highest applicable marginal rate for that year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax. These rules effectively prevent a U.S. Holder from treating gain on the Preference Shares as capital gain.

A U.S. Holder of Preference Shares may wish to avoid the tax consequences just described by electing to treat the Issuer as a qualified electing fund ("QEF"). If the U.S. Holder makes a timely QEF election, the U.S. Holder will be required to include in gross income each year, whether or not the Issuer makes distributions, (i) as ordinary income, its pro rata share of the Issuer's earnings and profits in excess of net capital gains and (ii) as long-term capital gains, its pro rata share of the Issuer's net capital gains. Because the U.S. Holder has already paid tax on them, the amounts previously included in income will not be subject to tax when they are distributed to the U.S. Holder. An electing U.S. Holder's basis in the Preference Shares will increase by any amounts the holder includes in income currently and decrease by any amounts not subject to tax when distributed. The Issuer will provide holders of the Preference Shares with the information needed to make a QEF election. However, U.S. Holders of Class C Notes may not be able to make a QEF election with respect to the Issuer because they will have agreed under the Indenture to treat the Class C Notes as debt for United States Federal income tax purposes.

A U.S. Holder that makes a QEF election may recognize income in amounts significantly greater than the distributions received from the Issuer. Income may exceed distributions when, for example, the Issuer uses earnings to repay principal on the Notes or accrues original issue discount or market discount on Collateral Debt Securities. A U.S. Holder that makes a QEF election will be required to include in income currently its pro rata share of the earnings or discount whether or not the Issuer actually makes distributions. The holder may be able to elect to defer payment, subject to an interest charge for the deferral period, of the tax on income recognized on account of the QEF election. Prospective purchasers should consult their tax advisors about the advisability of making the QEF and deferred payment elections.

Investment in Controlled Foreign Corporation. The Issuer also may be a controlled foreign corporation (a "CFC") if U.S. Holders that each own (directly, indirectly or by attribution) at least 10% of all interests treated as voting equity in the Issuer (each such U.S. Holder, a "10% U.S. Shareholder") together own more than 50% (by vote or value) of all interests treated as equity in the Issuer. If the Issuer is a CFC, a U.S. Holder that is a 10% U.S. Shareholder on the last day of the Issuer's taxable year must recognize ordinary income equal to its pro rata share of the Issuer's ordinary earnings and capital gains for the tax year whether or not the Issuer makes a distribution. Earnings on which the U.S. Holder pays tax currently will not be taxed again when they are distributed to the U.S. Holder. A U.S. Holder's basis in its interest in the Issuer will increase by any amounts the holder includes in income currently and decrease by any amounts not subject to tax when distributed. If the Issuer is a CFC, (i) the Issuer would incur U.S. withholding tax on interest received from a related U.S. person, (ii) special reporting rules would apply to directors of the Issuer, 10% U.S. Shareholders and certain other persons and (iii) certain other restrictions may apply. Subject to a special limitation for individual U.S. Holders that have held voting equity interests for more than one year, gain from disposition of equity interests in the Issuer recognized by a U.S. Holder that is or recently has been a 10% U.S. Shareholder will be treated as dividend income to the extent earnings attributed to such equity interests accumulated while the U.S. Holder held such equity interests and the Issuer was a CFC.

Investments in a Foreign Personal Holding Company. The Issuer will be a foreign personal holding company (a "FPHC") if five or fewer U.S. citizens or resident individuals own (directly, indirectly or by attribution) more than 50% (by vote or value) of the Preference Shares and any other interests treated as equity in the Issuer. If the Issuer is an FPHC, a U.S. Holder generally will be required to include in income constructive dividends equal to its share of the Issuer's specially adjusted taxable income whether or not the Issuer distributes the income. The constructive dividends would be treated as income from U.S. sources in proportion to the income that the Issuer receives from U.S. sources. A U.S. Holder's basis in its equity in the Issuer would increase by any amounts the holder includes in income currently.

The relationship between the PFIC, CFC and FPHC rules and the possible consequences of those rules for a particular U.S. Holder depend upon the circumstances of the Issuer and the U.S. Holder. If the Issuer is a CFC, a 10% U.S. Shareholder will be subject to the CFC rules and not the PFIC rules. If the Issuer is both a CFC and an FPHC, a 10% U.S. Shareholder will be subject to the CFC rules, while other U.S. Holders will be subject to the FPHC rules and, with respect to any excess distributions or gains not taxed under the FPHC rules, the PFIC rules. If the Issuer is an FPHC but not a CFC, any U.S. Holder

of a Preference Share will be subject to the FPHC rules and, with respect to any excess distributions or gains not taxed under the FPHC rules, to the PFIC rules. Each prospective purchaser should consult its tax advisor about the application of the PFIC, CFC and FPHC rules to its particular situation.

U.S. Holders generally must report, with their tax return for the tax year that includes the Closing Date, certain information relating to their purchase of the Preference Shares. U.S. Holders are urged to consult their tax advisors about specific reporting requirements. If the Issuer is a FPHC, the U.S. Holder makes a QEF Election or the U.S. Holder is a 10% U.S. Shareholder, the U.S. Holder, under recently issued regulations regarding tax shelter transactions, must make specific disclosures on its tax returns about any loss on the Preference Shares attributable to basis increases under the PFIC, CFC or FPHC rules, and could be required to make disclosure regarding transactions of the Issuer if it engages in transactions that are reportable under such regulations.

Non-U.S. Holders. Distributions to a Non-U.S. Holder of Preference Shares will not be subject to U.S. tax unless the distributions are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Gain realized by a Non-U.S. Holder on the sale or other disposition of the Preference Shares will not be subject to U.S. tax unless (i) the gain is effectively connected with the holder's conduct of a U.S. trade or business or (ii) the holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met.

U.S. Information Reporting and Backup Withholding.

Payments of principal and interest on the Notes, distributions on the Preference Shares and proceeds from the disposition of the Notes or Preference Shares paid to a non-corporate Holder generally will be subject to U.S. information reporting. Payments to Non-U.S. Holders that provide certification of foreign status generally are exempt from information reporting. Backup withholding tax may apply to reportable payments unless the Holder provides a correct taxpayer identification number. Any amount withheld may be credited against a Holder's U.S. Federal income tax liability or refunded to the extent it exceeds the Holder's liability.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES OR THE PREFERENCE SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") imposes certain duties on persons who are fiduciaries of employee benefit Plans (as defined in Section 3(3) of ERISA) ("ERISA Plans") and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public market for the investment. In addition, certain U.S. Federal, state and local laws impose similar duties on fiduciaries of governmental and/or church plans which are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental or church plan that is subject to fiduciary standards similar to those of ERISA ("plan fiduciary"), that proposes to cause such a plan or entity to purchase Offered Securities should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Offered Securities is appropriate for such plan or entity. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor regulations provide that the fiduciaries of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan and the projected return of the total portfolio relative to the ERISA Plan's funding objectives. Before investing the assets of an ERISA Plan in Offered Securities, a fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such fiduciary may be subject.

Section 406(a) of ERISA and Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code") prohibit certain transactions ("prohibited transactions") involving the assets of ERISA Plans or plans described in Section 4975(e)(1) of the Code (together with ERISA Plans, "Plans") and certain persons (referred to as "Parties-In-Interest" in ERISA and as "Disqualified Persons" in Section 4975 of the Code) having certain relationships to such plans and entities. A Party-In-Interest or Disqualified Person who engages in a non-exempt prohibited transaction may be subject to non-deductible excise taxes and other penalties and liabilities under ERISA and/or the Code.

Each of the Issuer, the Co-Issuer, the Initial Purchaser and the Collateral Manager as a result of their own activities or because of the activities of an affiliate, may be considered a Party-In-Interest or a Disqualified Person with respect to Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Notes are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, the Initial Purchaser, the Collateral Manager, the obligors on the Collateral Debt Securities or any of their respective affiliates is a Party-In-Interest or Disqualified Person. In addition, if a Party-In-Interest or Disqualified Person with respect to a Plan owns or acquires a beneficial interest in the Issuer or the Co-Issuer, the acquisition or holding of Notes by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of Notes or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party-In-Interest or Disqualified Person with respect to a Plan that owns or acquires a beneficial interest in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by a "qualified professional asset manager"; PTE 96-23, regarding investments by certain in-house asset

managers; and PTE 95-60, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. If a purchase of Notes were to be a non-exempt prohibited transaction, the purchase might have to be rescinded.

Government plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to local, state or other Federal laws that are similar to the foregoing provisions of ERISA and the Code (a "Similar Law").

The United States Department of Labor, the government agency primarily responsible for administering the ERISA fiduciary rules and the prohibited transaction rules under ERISA and the Code, has issued a regulation (the "Plan Asset Regulation") that, under specified circumstances, requires plan fiduciaries, and entities with certain specified relationships to a Plan, to "look through" investment vehicles (such as the Issuer) and treat as an "asset" of the Plan each underlying investment made by such investment vehicle. The Plan Asset Regulation provides, however, that if equity participation in any entity by "Benefit Plan Investors" is not significant then the "look-through" rule will not apply to such entity. "Benefit Plan Investors" are defined in the Plan Asset Regulation to include (1) any employee benefit plan (as defined in Section 3(3) of ERISA), whether or not subject to Title I of ERISA, (2) any plan described in Section 4975(e)(1) of the Code, and (3) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity. Equity participation by Benefit Plan Investors in an entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, having discretionary authority or control over the assets of the entity or providing investment advice with respect to the assets of the entity for a fee, direct or indirect (such as the Collateral Manager), or any affiliates of such persons (any such person, a "Controlling Person")) is held by Benefit Plan Investors (the "25% Threshold").

There is little pertinent authority in this area. However, it is not anticipated that the Class A Notes or the Class B Notes will constitute "equity interests" in the Co-Issuers. Based primarily on the investment-grade rating of the Class C Notes, the unconditional obligation of the Co-Issuers to pay interest and to repay principal by a fixed maturity date and the creditors' remedies available to holders of the Class C Notes, it is anticipated that the Class C Notes will not constitute "equity interests" in the Co-Issuers, despite their subordinated position in the capital structure of the Co-Issuers. No measures (such as those described below with respect to the Preference Shares) will be taken to restrict investment in the Class C Notes by Benefit Plan Investors.

It is intended that the ownership interests in the Preference Shares that are held by Benefit Plan Investors will be maintained at a level below the 25% Threshold (excluding Preference Shares held by Controlling Persons, such as the Preference Shares held by an Affiliate of the Collateral Manager) by limiting the aggregate amount of Preference Shares that may be held by Benefit Plan Investors to below the 25% Threshold. In this regard, each Original Purchaser of Preference Shares will be required to provide information in the Investor Application Form pursuant to which such Preference Shares were purchased and from time to time thereafter as to what portion, if any, of the funds it is using to purchase and hold Preference Shares is comprised of assets of a Benefit Plan Investor and whether or not it is a Controlling Person. No Preference Shares may be transferred to Benefit Plan Investors after the Closing Date. Any subsequent transferee that acquires Preference Shares will be deemed to represent as to similar matters (in the case of a transferee of an interest in a Regulation S Global Preference Share) or required to represent as to similar matters in the transfer certificate delivered to the Preference Share Registrar in connection with such transfer (in the case of a transferee of Definitive Preference Shares). In particular, each owner of an interest in a Definitive Preference Share will be required to execute and deliver to the Issuer and the Preference Share Registrar a transfer certificate in the form attached as an exhibit to the Preference Share Agency Agreement to the effect that such owner will, prior to any sale, pledge or other transfer by it of any Definitive Preference Share (or any interest therein), obtain from the transferee a duly executed transferee certificate in the form attached to the Preference Share Agency

Agreement, and such other certificates and other information as the Issuer, the Collateral Manager or the Preference Share Paying Agent may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions contained in the Issuer Charter and the Preference Share Agency Agreement.

Although each such owner will be required to indemnify the Issuer for the consequences of any breach of such obligations, there is no assurance that an owner will not breach such obligations or that, if such breach occurs, such owner will have the financial capacity and willingness to indemnify the Issuer for any losses that the Issuer may suffer, including non-compliance with the 25% Threshold.

If for any reason the assets of the Issuer are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code because one or more such Plans is an owner of Class C Notes or Preference Shares, certain transactions that either of the Co-Issuers might enter into, or may have entered into, in the ordinary course of its business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded. In addition, if the assets of the Issuer are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code, the payment of certain of the fees payable to the Collateral Manager might be considered to be a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code. Moreover, if the underlying assets of the Issuer were deemed to be assets constituting plan assets, (i) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, (ii) a fiduciary causing a Benefit Plan Investor to make an investment in the equity of the Issuer could be deemed to have delegated its responsibility to manage the assets of the Benefit Plan Investor, (iii) various providers of fiduciary or other services to the Issuer, and any other parties with authority or control with respect to the Issuer, could be deemed to be Plan fiduciaries or otherwise Parties in Interest or Disqualified Persons by virtue of their provision of such services, and (iv) it is not clear that Section 404(b) of ERISA, which generally prohibits plan fiduciaries from maintaining the indicia of ownership of assets of plans subject to Title I of ERISA outside the jurisdiction of the district courts of the United States, would be satisfied in all instances.

The sale of any Offered Security to a Plan is in no respect a representation by the Issuer, the Initial Purchaser, the Collateral Manager or any of their affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for a Plan generally or any particular Plan.

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A NOTE OR AN INTEREST THEREIN WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES DEEMED TO REPRESENT AND WARRANT) EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR ANY INTEREST THEREIN WILL NOT BE), AND IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR INTEREST THEREIN WILL NOT BE) ACTING ON BEHALF OF, AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA AND SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS PURCHASE AND OWNERSHIP OF SUCH NOTE WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT CONSTITUTE A VIOLATION OF SUCH SIMILAR LAW). AN INVESTOR THAT IS A BENEFIT PLAN INVESTOR SUBJECT TO TITLE I OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH SIMILAR LAW).

EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR. NO PREFERENCE SHARES MAY BE TRANSFERRED TO BENEFIT PLAN INVESTORS AFTER THE CLOSING DATE.

ANY PLAN FIDUCIARY THAT PROPOSES TO CAUSE A PLAN TO PURCHASE OFFERED SECURITIES, SHOULD CONSULT WITH ITS OWN LEGAL AND TAX ADVISORS WITH RESPECT TO THE POTENTIAL APPLICABILITY OF ERISA AND THE CODE TO SUCH INVESTMENTS, THE CONSEQUENCES OF SUCH AN INVESTMENT UNDER ERISA AND THE CODE AND THE ABILITY TO MAKE THE REPRESENTATIONS DESCRIBED ABOVE. MOREOVER, EACH PLAN FIDUCIARY SHOULD DETERMINE WHETHER, UNDER THE GENERAL FIDUCIARY STANDARDS OF ERISA, AN INVESTMENT IN THE OFFERED SECURITIES IS APPROPRIATE FOR THE PLAN, TAKING INTO ACCOUNT THE OVERALL INVESTMENT POLICY OF THE PLAN AND THE COMPOSITION OF THE PLAN'S INVESTMENT PORTFOLIO.

It should be noted that an insurance company's general account may be deemed to include assets of ERISA Plans under certain circumstances, *e.g.*, where an ERISA Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Offered Securities with assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and 29 C.F.R. §2550.401C.

The discussion of ERISA and Section 4975 of the Code contained in this Offering Circular, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

PLAN OF DISTRIBUTION

The Issuer and the Initial Purchaser will enter into a Purchase Agreement (the "Purchase Agreement") relating to the purchase and sale of the Notes and the placement of the Preference Shares to be delivered on the Closing Date. In the Purchase Agreement, the Co-Issuers will agree to sell to the Initial Purchaser, and the Initial Purchaser will agree to purchase, the entire principal amount of the Notes and the Initial Purchaser will agree to use its reasonable efforts to place all of the Preference Shares on behalf of the Issuer, in each case as set forth in the Purchase Agreement. The obligations of the Initial Purchaser under the Purchase Agreement are subject to the satisfaction of certain conditions set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, the Issuer has agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchaser may be required to make in respect thereof.

The Co-Issuers have been advised by the Initial Purchaser that the Initial Purchaser proposes to sell the Offered Securities (a) in the case of a sale in the United States in reliance upon an exemption from the registration requirements of the Securities Act, to (i) "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("Qualified Institutional Buyers") and (ii) solely in the case of the Preference Shares, a limited number of "accredited investors" within the meaning of Rule 501(a) of the Securities Act ("Accredited Investors") that, in each case, are Qualified Purchasers and (b) to certain persons who are not U.S. Persons in offshore transactions in reliance on Regulation S under the Securities Act. For purposes hereof, "Qualified Purchaser" means (i) a "qualified purchaser" as defined in the Investment Company Act, (ii) a "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 under the Investment Company Act or (iii) a company beneficially owned exclusively by one or more such "qualified purchasers" and/or "knowledgeable employees".

United States

The Offered Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from the registration requirements under the Securities Act.

(1) In the Purchase Agreement, the Initial Purchaser will represent and agree that it has not offered or sold Offered Securities and will not offer or sell Offered Securities except to persons who are not U.S. Persons in accordance with Rule 903 of Regulation S or as provided in paragraph (2) below. Accordingly, the Initial Purchaser will represent and agree that neither it, its affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to Offered Securities, and it and they have complied and will comply with the offering restrictions requirements of Regulation S.

(2) In the Purchase Agreement, the Initial Purchaser will agree that it will not, acting either as principal or agent, offer or sell any Offered Securities in the United States other than Offered Securities in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Offered Securities (or approve the resale of any of such Offered Securities):

(a) except (1) inside the United States through a U.S. broker dealer that is registered under the Exchange Act to investors each of which the Initial Purchaser reasonably believes is a Qualified Institutional Buyer or, in the case of the Preference Shares only, an Accredited Investor that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Offered Securities (or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience) and that, in either case, is also a Qualified Purchaser or (2) otherwise in accordance with the restrictions on transfer set forth in such Offered Securities, the Purchase Agreement and this Offering Circular and, with respect to the Class A-2 Notes, the Class A-2 Notes Supplement; or

(b) by means of any form of general solicitation or general advertisement, including but not limited to (1) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio and (2) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Offered Securities, the Initial Purchaser shall have provided each offeree that is a U.S. Person with a copy of the Offering Circular in the form the Issuer and the Initial Purchaser shall have agreed most recently shall be used for offers and sales in the United States.

(3) In the Purchase Agreement, the Initial Purchaser will represent and agree that, in connection with each sale of the Preference Shares to an Accredited Investor, it has taken or will take reasonable steps to ensure that the purchaser is aware that the Offered Securities have not been and will not be registered under the Securities Act and that transfers of Offered Securities are restricted as set forth herein.

United Kingdom

The Initial Purchaser will also represent and agree as follows:

(1) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Offered Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Offered Securities in circumstances in which Section 21(1) of said Act would not, if each of the Co-Issuers were not an authorized person, apply to the Co-Issuers; and

(3) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Offered Securities in, from or otherwise involving the United Kingdom.

Cayman Islands

The Initial Purchaser will represent and agree that it has not made and will not make any invitation to the public in the Cayman Islands to subscribe for the Offered Securities.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Offered Securities or the possession, circulation or distribution of the this Offering Circular or any other material relating to the Issuer or the Offered Securities in any country or jurisdiction where action for that purpose is required. Accordingly, the Offered Securities may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offered Securities may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the Offered Securities may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

Purchasers of the Offered Securities will be required, as a condition to payment of amounts on the Offered Securities without the imposition of withholding tax, to provide certain certifications with respect to any applicable taxes or reporting requirements of the United States or the Cayman Islands.

CLEARING SYSTEMS

Global Securities

Investors may hold their interests in a Regulation S Global Security directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Euroclear and Clearstream will hold interests in Regulation S Global Securities on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in such Regulation S Note in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in a Restricted Global Note directly through DTC, if they are Participants in such system, or indirectly through organizations which are Participants in such system.

So long as the depository for a Global Security, or its nominee, is the registered holder of such Global Security, such depository or such nominee, as the case may be, will be considered the absolute owner or holder of such Global Security for all purposes under the Indenture and Participants as well as any other persons on whose behalf Participants may act (including Euroclear and Clearstream and account holders and participants therein) will have no rights under the related Security, the Indenture or the Preference Share Documents. Owners of beneficial interests in a Global Security will not be considered to be the owners or holders of the related Security, any Note under the Indenture or any Preference Share under the Preference Share Documents. In addition, no beneficial owner of an interest in a Global Security will be able to exchange or transfer that interest, except in accordance with the applicable procedures of the depository and (in the case of a Regulation S Global Security) Euroclear or Clearstream (in addition to those under the Indenture or the Preference Share Documents (as the case may be)), in each case to the extent applicable (the "Applicable Procedures").

Payments or Distributions on a Global Security

Payments or distributions on an individual Global Security (as the case may be) registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the Global Security. None of the Issuer, the Trustee, the Note Registrar, the Preference Share Paying Agent and any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

With respect to the Global Securities, the Issuer expects that the depository for any Global Security or its nominee, upon receipt of any payment or distribution on such Global Security (as the case may be), will immediately credit the accounts of Participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Security as shown on the records of the depository or its nominee. The Issuer also expects that payments by Participants to owners of beneficial interests in such Global Securities held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the name of nominees for such customers. Such payments will be the responsibility of such Participants.

Transfers and Exchanges for Definitive Securities

Interests in a Global Security will be exchangeable or transferable, as the case may be, for a Definitive Security if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Security, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depository is not appointed by the Issuer within 90 days, (c) the transferee of an interest in such Global Security is required by law to take physical delivery of securities in definitive form, (d) in the case of a Global Note, there is an Event of Default under the Notes or (e) the transferee is otherwise unable to pledge its interest in a Global Security. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect Participants and certain banks, the ability of a person having a

beneficial interest in a Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Security be exchanged for a Definitive Security.

Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Securities bearing an appropriate legend regarding restrictions on transfer to be delivered. The Trustee shall not execute and deliver a Definitive Security without such specified legend, unless there is delivered to the Issuer and the Trustee such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer or the Trustee that neither such legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act or the Investment Company Act. Definitive Securities will be exchangeable or transferable for interests in other Definitive Securities as described herein. See "Description of the Offered Securities—Form, Denomination, Registration and Transfer".

Cross-Border Transfers and Exchanges

Subject to compliance with the transfer restrictions applicable to the Offered Securities described under "Transfer Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in a Regulation S Global Security in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the depositories of Euroclear or Clearstream.

Because of time zone differences, cash received in Euroclear or Clearstream as a result of sales of interests in a Regulation S Global Security by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised the Co-Issuers that it will take any action permitted to be taken by a holder of the relevant Offered Security (including, without limitation, the presentation of such Offered Security for exchange as described above) only at the direction of one or more Participants to whose account with the DTC interests in the related Global Security are credited and only in respect of such portion of the aggregate outstanding principal amount of the Notes or of the number of Preference Shares (as the case may be) as to which such Participant or Participants has or have given such direction.

DTC, Euroclear and Clearstream

DTC has advised the Co-Issuers as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

The information herein concerning DTC, Clearstream and Euroclear and their book-entry systems has been obtained from sources believed to be reliable, but none of the Co-Issuers, the Collateral Manager or the Initial Purchaser take any responsibility for the accuracy or completeness thereof.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in Global Securities among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Co-Issuer and the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective Participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of Offered Securities.

Representations by Original Purchaser

Each Original Purchaser of an Offered Security will be deemed to acknowledge, represent to and agree with the Co-Issuers and the Initial Purchaser, and each purchaser of a Preference Share, by its execution of an Investor Application Form, acknowledges, represents to and agrees with the Issuer and the Initial Purchaser, as follows:

(1) *No Governmental Approval.* The purchaser understands that the Offered Securities have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction and that neither the SEC nor any other governmental authority or agency has passed upon the accuracy or adequacy of this Offering Circular. The purchaser further understands that any representation to the contrary is a criminal offense.

(2) *Certification Upon Transfer.* If required by the Indenture or the Preference Share Documents, the purchaser will, prior to any sale, pledge or other transfer by it of any Offered Security (or any interest therein), deliver to the Issuer and the Note Registrar (or, in the case of a Preference Share, the Preference Share Paying Agent) duly executed transferor and transferee certifications in the form of the relevant exhibit attached to the Indenture or the Preference Share Agency Agreement, as applicable, and such other certificates and other information as the Issuer, the Trustee (in the case of the Notes) or the Preference Share Paying Agent (in the case of the Preference Shares) may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and in the Indenture or the Preference Share Documents, as applicable.

(3) *Minimum Denomination or Number.* The purchaser agrees that no Security (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth herein (in the case of the Notes) or in a number less than the applicable minimum trading lot set forth herein (in the case of the Preference Shares).

(4) *Securities Law Limitations on Resale.* The purchaser understands that the Offered Securities have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States or to U.S. Persons unless they are registered under the Securities Act or unless an exemption from registration is available and that the certificates representing the Offered Securities will bear a legend setting forth such restriction. The purchaser understands that neither the Issuer nor (in the case of the Notes) the Co-Issuer has any obligation to register the Offered Securities under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture).

(5) *Status and Investment Intent.* In the case of a purchaser of a Restricted Security (or any interest therein), it is a Qualified Institutional Buyer or, in the case of Restricted Definitive Preference Shares only, an Accredited Investor, that in each case is a Qualified Purchaser, and it is acquiring such Restricted Security for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). In the case of a purchaser of a Regulation S Security (or any interest therein), it is not a U.S. Person and is purchasing such Regulation S Security (or interest therein) for its own account and not for the account or benefit of a U.S. Person in an offshore transaction in accordance with Regulation S.

(6) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information.* The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in Offered Securities, (b) is financially able to bear such risk, (c) in making such investment, is not relying on the advice or recommendations of the Initial Purchaser, the Issuer, the Co-Issuer, the Collateral Manager or any of their respective affiliates (or any representative of any of the foregoing) (*provided* that no such representation is made with respect to the Collateral Manager or its investment advisory affiliates, or by any Affiliate of the Collateral Manager or any account advised or managed by the Collateral Manager or any of its investment advisory affiliates) and (d) has determined that an investment in Offered Securities is suitable and appropriate for it. The purchaser has received and reviewed the contents of, this Offering Circular. The purchaser has had access to such financial and other information concerning the Issuer and the Offered Securities as it has deemed necessary to make its own independent decision to purchase Offered Securities, including the opportunity, at a reasonable time prior to its purchase of Offered Securities, to ask questions and receive answers concerning the Issuer, the Co-Issuer and the terms and conditions of the offering of the Offered Securities. The purchaser acknowledges that it is aware that the Collateral Management Agreement and the Indenture authorize the Collateral Manager to cause the Issuer to purchase Collateral Debt Securities from, and to sell Collateral Debt Securities to, the Collateral Manager, its Affiliates and funds managed by the Collateral Manager or its Affiliates and the purchaser consents to such purchases and sales provided that they are carried out in compliance with the provisions of the Collateral Management Agreement and the Indenture.

(7) *Certain Resale Limitations.* The purchaser is aware that no Offered Security (nor any interest therein) may be offered or sold, pledged or otherwise transferred:

(a) in the United States or to a U.S. Person, except to a transferee (i)(A) whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (B) solely in the case of a Restricted Definitive Preference Share, who is entitled to take delivery of such Security in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) that is a Qualified Purchaser;

(b) to a transferee acquiring an interest in a Regulation S Global Security except to a transferee that is not a U.S. Person and is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S;

(c) solely in the case of Preference Shares, after the Closing Date, to a transferee who is a Benefit Plan Investor; or

(d) except in compliance with the other requirements set forth in the Indenture or the Preference Share Documents (as applicable) and in accordance with any other applicable securities laws of any relevant jurisdiction.

(8) *Limited Liquidity.* The purchaser understands that there is no market for the Offered Securities and that 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. It further understands that, although the Initial Purchaser may from time to time make a market in one or more Classes of Notes or Preference Shares, the Initial Purchaser

is under no obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold its Offered Securities for an indefinite period of time or until the applicable Stated Maturity (or, in the case of the Preference Shares, the winding-up of the Issuer).

(9) *Investment Company Act.* The purchaser either (a) is not a U.S. Person or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of an Offered Security (or any interest therein) may be made (i) to a transferee acquiring a Restricted Security (or any interest therein) except to a transferee that is a Qualified Purchaser, (ii) to a transferee acquiring a Regulation S Security (or any interest therein) except to a transferee that is not a U.S. Person or (iii) if such transfer would have the effect of requiring either of the Co-Issuers or the Collateral to be registered as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company") (a) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("pre-amendment beneficial owners") and (b) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

(10) *ERISA.* In the case of a purchaser of a Note, either (a) it is not (and for so long as it holds any Note or any interest therein will not be) acting on behalf of an "employee benefit plan" as defined in Section 3(3) of the ERISA that is subject to Title I of ERISA, a plan described in section 4975(e)(1) of the Code, an entity which is deemed to hold the assets of any such plan pursuant to 29 C.F.R. section 2510.3-101, which plan or entity is subject to Title I of ERISA or section 4975 of the Code, or a governmental or church plan which is subject to any Similar Law, or (b) its purchase and ownership of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of governmental or church plan, will not constitute a violation of such Similar Law).

In the case of a purchaser of a Preference Share, if such purchaser is a Benefit Plan Investor that is subject to Title I of ERISA, Section 4975 of the Code or any Similar Law, it understands that it will be required to certify that its investment in Preference Shares will not result in a non-exempt "prohibited transaction" under the foregoing provisions of ERISA and the Code or a violation of any Similar Law.

Each purchaser of a Preference Share understands and agrees that no sale, pledge or other transfer of a Preference Share may be made after the Closing Date to a Benefit Plan Investor.

In addition, if the purchaser is, or is acting on behalf of, a Plan subject to Title I of ERISA or an employee benefit plan that is not subject to Title I of ERISA but is subject to provisions of a Similar Law, the fiduciaries of such Plan or such employee benefit plan, as applicable, represent and warrant that they have been informed of and understand the Issuer's investment objectives, policies and strategies and that the decision to invest such Plan's assets or such employee benefit plan's assets, as the case may be, in Offered Securities was made with appropriate consideration of relevant investment factors with regard to such Plan or such employee benefit plan, as the case may be, and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under Title I of ERISA or such Similar Law.

(11) *Limitations on Flow-Through Status.* If the purchaser is an entity that is a U.S. Person, it is (a) not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (b) if it is a Qualifying Investment Vehicle, (x) it has only one class of securities

outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities) and (y) either (1) none of the beneficial owners of its securities is a U.S. Person or (2) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that such owner is a Qualified Purchaser. A purchaser is a "Flow-Through Investment Vehicle" if: (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Securities exceeds 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser, (ii) any person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser (other than a general partner or similar entity) or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser, (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Offered Securities or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Offered Securities. A "Qualifying Investment Vehicle" means an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make, each of the representations set forth in this Offering Circular and (where applicable) an Investor Application Form and/or the transfer certificate pursuant to which such Offered Securities were transferred to such entity (in each case, with appropriate modifications to reflect the indirect nature of the interests of such beneficial owners in the Offered Securities).

(12) *Certain Transfers Void.* The purchaser agrees that (a) any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of the transfer restrictions contained in this Offering Circular and the Indenture or the Preference Share Documents, as applicable, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Co-Issuer, the Trustee and the Note Registrar (in the case of the Notes) and neither the Issuer nor the Preference Share Paying Agent (in the case of the Preference Shares) has any obligation to recognize any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

(13) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Co-Issuer, the Initial Purchaser, the Trustee, the Note Registrar, the Preference Share Paying Agent and others (as applicable) will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties by it in connection with its purchase of the Offered Securities are no longer accurate, the purchaser will promptly notify the Issuer and the Initial Purchaser.

(14) *Cayman Islands.* The purchaser is not a member of the public in the Cayman Islands.

(15) *Legend.* Each purchaser of a Note (or any beneficial interest therein) understands and agrees that a legend in substantially the following form will be placed on each Note:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A **QUALIFIED**

INSTITUTIONAL BUYER) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**) PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT (**REGULATIONS**), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE **INVESTMENT COMPANY ACT**). NO TRANSFER OF A NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT, (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A "QUALIFIED PURCHASER", (III) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER AS SPECIFIED IN RULE 3C-5 PROMULGATED UNDER THE INVESTMENT COMPANY ACT OR (IV) A COMPANY OWNED EXCLUSIVELY BY KNOWLEDGEABLE EMPLOYEES (ANY PERSON DESCRIBED IN CLAUSES (I) THROUGH (IV), A **QUALIFIED PURCHASER**), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A U.S. PERSON THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) OR (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) A PLAN OR ANY OTHER BENEFIT PLAN INVESTOR OR (B) ITS PURCHASE AND OWNERSHIP OF THIS SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR FROM THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA AND SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT CONSTITUTE A VIOLATION OF ANY MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). THIS NOTE AND ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN THE PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OF A RESTRICTED NOTE (OR ANY INTEREST THEREIN) (A) IS A U.S. PERSON (WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT) AND (B) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER, THEN THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH RESTRICTED NOTE (OR INTEREST THEREIN) TO A PERSON THAT IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (1) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH NOTE

TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTE (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER.

In addition, the legend set forth on any Regulation S Global Note or Restricted Global Note will also have the following:

IN ADDITION, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NONE OF THE TRUSTEE, THE NOTE REGISTRAR AND THE CO-ISSUERS WILL RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (A)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(I)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN. THE TRANSFEREE, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, IS REQUIRED TO HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATIONS OF THE NOTES. EACH TRANSFEREE IS REQUIRED TO PROVIDE WRITTEN NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (**DTC**) TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

(16) *Legend for Preference Shares.* The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Preference Shares:

THE PREFERENCE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A **QUALIFIED INSTITUTIONAL BUYER**) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**) OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE

PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE PREFERENCE SHARE AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE **INVESTMENT COMPANY ACT**). NO TRANSFER OF A PREFERENCE SHARE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT, (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER, (III) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER AS SPECIFIED IN RULE 3C-5 PROMULGATED UNDER THE INVESTMENT COMPANY ACT OR (IV) A COMPANY OWNED EXCLUSIVELY BY KNOWLEDGEABLE EMPLOYEES (ANY PERSON DESCRIBED IN CLAUSES (I) THROUGH (IV), A **QUALIFIED PURCHASER**), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE TO A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(f) (A **BENEFIT PLAN INVESTOR**)) AFTER THE CLOSING DATE, (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE PREFERENCE SHARE AGENCY AGREEMENT) OR (E) EXCEPT IN THE CASE OF A TRANSFER OF A BENEFICIAL INTEREST IN A REGULATION S GLOBAL PREFERENCE SHARE TO A TRANSFEREE WHO IS ACQUIRING A BENEFICIAL INTEREST IN A REGULATION S GLOBAL PREFERENCE SHARE, SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE AGENCY AGREEMENT REFERRED TO HEREIN. EACH HOLDER OF PREFERENCE SHARES WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF A MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). ACCORDINGLY, AN INVESTOR IN PREFERENCE SHARES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT BOTH (A) A QUALIFIED INSTITUTIONAL BUYER OR AN "ACCREDITED INVESTOR" (AN **ACCREDITED INVESTOR**) WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT AND (B) A QUALIFIED PURCHASER, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURITY (OR INTEREST HEREIN) TO A PERSON THAT IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE PREFERENCE SHARE PAYING AGENT SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST

IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE PREFERENCE SHARE PAYING AGENT IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PREFERENCE SHARES.

The following shall be inserted in the case of Regulation S Global Preference Shares:

UNLESS THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (*DTC*) TO THE PREFERENCE SHARE TRANSFER AGENT FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE REPRESENTS REGULATION S GLOBAL PREFERENCE SHARES DEPOSITED WITH DTC ACTING AS DEPOSITARY, AND REGISTERED IN THE NAME OF CEDE & CO., A NOMINEE OF DTC, AND CEDE & CO., AS HOLDER OF RECORD, SHALL BE ENTITLED TO RECEIVE ALL DISTRIBUTIONS, OTHER THAN THE FINAL REDEMPTION AMOUNTS, BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS. THE STATEMENTS IN THE LEGEND RELATING TO DTC SET FORTH ABOVE ARE AN INTEGRAL PART OF THE TERMS OF THESE PREFERENCE SHARES AND BY ACCEPTANCE THEREOF EACH HOLDER AGREES TO BE SUBJECT TO AND BOUND BY THE TERMS AND PROVISIONS SET FORTH IN SUCH LEGEND. UPON ANY SUCH EXCHANGE OR TRANSFER OF A BENEFICIAL INTEREST IN THE PREFERENCE SHARES REPRESENTED BY THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE FOR PREFERENCE SHARES REPRESENTED BY A DEFINITIVE PREFERENCE SHARE CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF PREFERENCE SHARES REPRESENTED BY A DEFINITIVE PREFERENCE SHARE CERTIFICATE FOR AN INTEREST IN THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE IN ACCORDANCE WITH THE PREFERENCE SHARE AGENCY AGREEMENT, THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE SHALL BE CANCELLED AND A NEW REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE WILL BE ISSUED AND REGISTERED IN THE NAME OF CEDE & CO., AS NOMINEE OF DTC, REFLECTING THE NUMBER OF PREFERENCE SHARES HELD IN REGULATION S FORM.

Notwithstanding the foregoing, each Original Purchaser of Class A-2 Notes will be deemed to make the representations set forth in the Class A-2 Notes Supplement. The Class A-2 Notes Supplement will be delivered to each Original Purchaser of Class A-2 Notes.

Investor Representations on Resale

Except as provided below, each transferor and transferee of an Offered Security will be required to deliver a duly executed certificate in the form of the relevant exhibit attached to the Indenture or the Preference Share Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Co-Issuer, the Trustee or the Preference Share Paying Agent may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and the Indenture or the Preference Share Documents, as applicable.

An owner of a beneficial interest in a Restricted Global Note may transfer such interest in the form of a beneficial interest in such Restricted Global Note without the provision of written certification and an owner of a beneficial interest in a Regulation S Global Preference Share may transfer such interest in the form of a beneficial interest in such Regulation S Global Preference Share without the provision of written certification, *provided* that each transferee of a beneficial interest in a Global Security will be deemed to make the applicable representations and warranties described herein.

Each transferee of an Offered Security that is required to deliver a transfer certificate will be required, pursuant to such transferee certificate, and each transferee that is not required to deliver a certificate will be deemed, (a) to acknowledge, represent to and agree with the Co-Issuers and the Trustee (in the case of a Note) or the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) as to the matters set forth in each of paragraphs (1) through (15) above (other than paragraph (5) above) as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) to further represent to and agree with the Co-Issuers and the Trustee (in the case of a Note) or to the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) as follows:

(1) In the case of a transferee who takes delivery of a Restricted Security (or a beneficial interest therein), it is a Qualified Institutional Buyer and also a Qualified Purchaser and is acquiring such Restricted Security (or beneficial interest therein) for its own account and is aware that such transfer is being made to it in reliance on Rule 144A (or, solely in the case of a Restricted Definitive Preference Share, in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act)). In addition, if such transferee is acquiring a beneficial interest in a Restricted Global Note, it (i) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.\$25,000,000 in securities of issuers that are not affiliated persons of the dealer, (ii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan and (iii) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

(2) In the case of a transferee who takes delivery of a Regulation S Security (or a beneficial interest therein), it is not a U.S. Person is acquiring such Regulation S Security for its own account and not for the account or benefit of a U.S. Person in an offshore transaction in accordance with Regulation S.

(3) In the case of a transferee of Preference Shares (other than upon a transfer from the Issuer or the Initial Purchaser on the Closing Date), it is not a Benefit Plan Investor.

(4) It acknowledges that the foregoing acknowledgements, representations and agreements will be relied upon by the Co-Issuers and the Trustee (in the case of a Note) or the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) for the purpose of determining its eligibility to purchase Offered Securities. It agrees to provide, if

requested, any additional information that may be required to substantiate or confirm its status as a Qualified Institutional Buyer or an Accredited Investor or under the exception provided pursuant to Section 3(c)(7) of the Investment Company Act, to determine compliance with ERISA and/or Section 4975 of the Code or to otherwise determine its eligibility to purchase Offered Securities.

LISTING AND GENERAL INFORMATION

1. Application will be made to the Irish Stock Exchange for the Notes (other than the Class A-2 Notes) to be admitted to the Daily Official List. In connection with the listing of such Notes on the Irish Stock Exchange, the final Offering Circular will be filed with the Registrar of Companies of Ireland pursuant to Regulation 13 of the European Communities (Stock Exchange) Regulations, 1984 of Ireland.
2. For fourteen days following the date of this Offering Circular, copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, the Indenture, the Preference Share Agency Agreement, the Collateral Administration Agreement, form of Investor Application Form, the Collateral Management Agreement and the forms of Hedge Agreement (but not the Basis Swap or the Class A-2 Agency and Amending Agreement) will be available for inspection and the transfer certificates will be available for inspection at the offices of the Paying Agent located in Dublin, Ireland and at the offices of the Issuer. The Issuer is not required by Cayman Islands law and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by Delaware state law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with a written certificate, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, no Event of Default has occurred or if there has been an Event of Default, the certificate shall set forth the nature and status thereof, including actions undertaken to remedy the same.
3. Copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, form of Investor Application Form, the resolutions of the board of directors of the Issuer authorizing the issuance of the Notes and Preference Shares and the execution of the Indenture, the Preference Share Agency Agreement, the Collateral Administration Agreement, the Collateral Management Agreement and the forms of Hedge Agreement and the resolutions of the board of directors of the Co-Issuer authorizing the issuance of the Notes and the Indenture (but not the Basis Swap or the Class A-2 Agency and Amending Agreement) will be available for inspection during the term of the Notes in the city of Houston at the office of the Trustee and at the office of the Paying Agent located in Dublin, Ireland.
4. So long as any Notes are listed on the Irish Stock Exchange, copies of the monthly reports and quarterly note valuation reports with respect to the Notes and the Collateral Debt Securities will be prepared by the Issuer in accordance with the Indenture and will be obtainable free of charge upon request in Ireland at the offices of the Irish Paying Agent located in Dublin, Ireland. The monthly reports will be prepared each month (excluding any month in which a quarterly note valuation report is prepared), beginning with the monthly report for May 2004, and the quarterly note valuation reports will be prepared each March, June, September and December, beginning in June 2004.
5. Each of the Co-Issuers represents that there has been no material adverse change in its financial position since its date of creation. Other than as described herein under "The Co-Issuers", since the dates of incorporation of the Co-Issuers, the Co-Issuers have not commenced operations and no annual accounts or reports have been prepared as of the date of the listing particulars.
6. Neither of the Co-Issuers is involved in any litigation or arbitration proceedings relating to claims on amounts which are material in the context of the issue of the Offered Securities, nor, so far as either of the Co-Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

7. The issuance of the Offered Securities was authorized by the board of directors of the Issuer on or about March 8, 2004. The issuance of the Notes was authorized by the board of directors of the Co-Issuer on or about March 8, 2004.
8. According to the rules and regulations of the Irish Stock Exchange, the Notes shall be freely transferable and therefore no transaction made on the Irish Stock Exchange shall be cancelled.
9. Offered Securities sold in offshore transactions in reliance on Regulation S and represented by Global Securities have been accepted for clearance through Euroclear and Clearstream. The table below lists the Common Code Numbers, the CUSIP (CINS) Numbers and the International Securities Identification Numbers (ISIN) for Offered Securities represented by Regulation S Global Notes and Regulation S Preference Shares and the CUSIP Numbers for Offered Securities represented by Restricted Global Notes and Definitive Preference Shares.

	<u>Regulation S Common Codes</u>	<u>Regulation S Global Note/Global Preference Share CUSIP Numbers</u>	<u>Restricted Global Note/Definitive Preference Share CUSIP Numbers</u>	<u>Regulation S International Securities Identification Numbers</u>
Class A-1 Notes	018739631	G3901N AA 4	37638R AA 0	USG3901NAA49
Class A-2 Notes	018739674	G3901N AB 2	37638R AC 6	USG3901NAB22
Class B Notes	018739739	G3901N AC 0	37638R AE 2	USG3901NAC05
Class C Notes	018739798	G3901N AD 8	37638R AG 7	USG3901NAD87
Preference Shares	018739895	G3901P 20 0	37638U 20 4	KYG3901P2009

LEGAL MATTERS

Certain legal matters with respect to the Offered Securities will be passed upon for the Issuer by Freshfields Bruckhaus Deringer LLP, New York, New York. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Maples and Calder. Certain legal matters with respect to the Collateral Manager will be passed upon by Tobin & Tobin, San Francisco, California. Certain matters with respect to United States Federal tax law will be passed upon for the Collateral Manager by Chapman and Cutler LLP, San Francisco, California.

SCHEDULE A

**Part I
Moody's Recovery Rate Matrix**

(see definition of "Applicable Recovery Rate")

A. ABS Type Diversified Securities**

Percentage of Total Capitalization	Moody's Rating ¹					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	70%	60%	50%	40%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	30%
Less than or equal to 10%	70%	65%	55%	45%	35%	25%

B. ABS Type Residential Securities**

Percentage of Total Capitalization	Moody's Rating ¹					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	15%
Less than or equal to 2%	45%	35%	30%	25%	15%	10%

¹ The rating assigned by Moody's on the closing date for such Collateral Debt Security

C. ABS Type Undiversified Securities**

Percentage of Total Capitalization	Moody's Rating ¹					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	55%	45%	35%	30%	20%	10%
Less than or equal to 2%	45%	35%	25%	20%	10%	5%

¹ The rating assigned by Moody's on the closing date for such Collateral Debt Security

Part II

Standard & Poor's Recovery Rate Matrix

- A. If the Collateral Debt Security (other than a Synthetic Security or REIT Debt Security) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows:**

Standard & Poor's Rating	Recovery Rate						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-", "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-", "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-", "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

- B. If the Collateral Debt Security (other than a Synthetic Security or REIT Debt Security) is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows:**

Standard & Poor's Rating	Recovery Rate						
	AAA	AA	A	BBB	BB	B	CCC
"AA-", "AA" or "AA+"	55.0%	65.0%	75.0%	80.0%	80.0%	80.0%	80.0%
"A-", "A" or "A+"	40.0%	45.0%	55.0%	65.0%	80.0%	80.0%	80.0%
"BBB-", "BBB" or "BBB+"	30.0%	35.0%	40.0%	45.0%	50.0%	60.0%	70.0%
"BB-", "BB" or "BB+"	10.0%	10.0%	10.0%	25.0%	35.0%	40.0%	50.0%
"B-", "B" or "B+"	2.5%	5.0%	5.0%	10.0%	10.0%	20.0%	25.0%
"CCC+" and below	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%

- C. If the Collateral Debt Security (other than a REIT Debt Security) is a Synthetic Security, the recovery rate will be assigned by Standard & Poor's upon the acquisition of such Security by the Issuer.**
- D. If the Collateral Debt Security is a REIT Debt Security, the recovery rate will be 40%.**
- E. All categories of Collateral Debt Securities listed in Schedule D are excluded from the Standard & Poor's Recovery Rate Matrix. Any Collateral Debt Security excluded from the Standard & Poor's Recovery Rate Matrix must be assigned a recovery rate by Standard & Poor's.**

Schedule B

Moody's Specified Types

For the purpose of determining compliance with the Eligibility Criteria and the Portfolio Percentage Limitations, the Collateral Manager will divide the Asset-Backed Securities to be pledged to the Trustee on and after the Closing Date into the following different "Specified Types":

"Asset-Backed CDO Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio consisting primarily of other Asset-Backed Securities, generally having the following characteristics: (1) the debt securities have varying contractual maturities; (2) the securities are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of securities bearing interest at a fixed rate, such securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional debt securities.

"CMBS Conduit Securities" means Asset-Backed Securities (A) issued by a single-seller or multi-seller conduit under which the holders of such Asset-Backed Securities have recourse to a specified pool of assets (but not other assets held by the conduit that support payments on other series of securities) and (B) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors (with the creditworthiness of individual obligors being less material than for CMBS Large Loan Securities and Credit Tenant Lease Securities) and accordingly represent a relatively undiversified pool of obligor credit risk; (4) upon original issuance of such Asset-Backed Securities no five commercial mortgage loans account for more than 20% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on such securities; and (5) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"CMBS Credit Tenant Lease Securities" means Asset-Backed Securities (other than CMBS Large Loan Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases). They generally have the following characteristics: (1) the commercial mortgage loans or leases have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the leases are secured by leasehold interests; (4) the commercial mortgage loans or leases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment thereof can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans or termination of leases depending on numerous factors specific to the particular obligors or lessees and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; and (6) the creditworthiness of such corporate tenants is the primary factor in any decision to invest in these securities.

"CMBS Large Loan Securities" means Asset-Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties. They generally have the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities.

"CMBS Securities" means CMBS Conduit Securities, CMBS Credit Tenant Lease Securities and CMBS Large Loan Securities.

"Credit Card Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from balances outstanding under revolving consumer credit card accounts, generally having the following characteristics: (1) the accounts have standardized payment terms and require minimum monthly payments; (2) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on such balances does not depend upon a contractual payment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum credit limit and general economic matters.

"Home Equity Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from balances (including revolving balances) outstanding under loans or lines of credit secured by (but not, upon origination, by a first priority lien on) residential real estate (single or multi-family properties) the proceeds of which loans or lines of credit are not used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the balances have standardized payment terms and require minimum monthly payments; (2) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such balances does not depend upon a contractual payment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum line of credit and general economic matters; and (4) the line of credit or loan may be secured by residential real estate with a market value (determined on the date of origination of such line of credit or loan) that is less than the original proceeds of such line of credit or loan.

"REIT Debt Security" means a debt security issued by a REIT including, without limitation, (1) REIT Debt Securities – Diversified, (2) REIT Debt Securities – Health Care, (3) REIT Debt Securities – Hotel, (4) REIT Debt Securities – Industrial, (5) REIT Debt Securities – Mortgage, (6) REIT Debt Securities – Multi-Family, (7) REIT Debt Securities – Office, (8) REIT Debt Securities – Residential, (9) REIT Debt Securities – Retail and (10) REIT Debt Securities – Storage.

"REIT Debt Securities—Diversified" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on a portfolio of diverse real property interests, *provided* that (a) any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security and (b) any Asset-Backed Security

falling within any other REIT Debt Security description set forth herein shall be excluded from this definition.

"REIT Debt Securities—Health Care" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on hospitals, clinics, sport clubs, spas and other health care facilities and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Hotel" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on hotels, motels, youth hostels, bed and breakfasts and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Industrial" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on factories, refinery plants, breweries and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Mortgage" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages, commercial mortgage-backed securities, collateralized mortgage obligations and other similar mortgage-related securities (including Asset-Backed Securities issued by a hybrid form of such trust that invests in both commercial real estate and commercial mortgages), *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Multi-Family" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of residential mortgages on multi-family dwellings such as apartment blocks, condominiums and co-operative owned buildings, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Office" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on office buildings, conference facilities and other similar real property interests used in the commercial real estate business, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Residential" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of residential mortgages (other than multi-family dwellings) and

other similar real property interests, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Retail" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on retail stores, restaurants, bookstores, clothing stores and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Storage" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of storage facilities and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"Residential A Mortgage Securities" means Asset-Backed Securities (other than Residential B/C Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Residential B/C Mortgage Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by subprime residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally not been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Small Business Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from general purpose corporate loans made to "small business concerns" (generally within the meaning given to such term by regulations of the United States Small Business Administration), including those (a) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (b) partially guaranteed by the United States Small Business Administration. Small Business Loan Securities generally have the following characteristics: (1) the loans have payment terms that comply with any

applicable requirements of the Small Business Act, as amended; (2) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"Student Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from loans made to students (or their parents) to finance educational needs, generally having the following characteristics: (1) the loans have standardized terms; (2) the loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such loans is primarily determined by a contractual payment schedule, with early repayment on such loans predominantly dependent upon interest rates and the income of borrowers following the commencement of amortization; and (4) such loans may be fully or partially insured or reinsured by the United States Department of Education.

The Specified Types of Asset-Backed Securities set forth above are divided into the following categories:

"ABS Type Diversified Securities" means (1) Credit Card Securities; and (2) Student Loan Securities.

"ABS Type Residential Securities" means (1) Home Equity Loan Securities; (2) Residential A Mortgage Securities; and (3) Residential B/C Mortgage Securities.

"ABS Type Undiversified Securities" means each Specified Type of Asset-Backed Securities, other than (a) ABS Type Diversified Securities or (b) ABS Type Residential Securities.

Schedule C

Standard & Poor's Asset Classes

Part A

1. Consumer ABS

- Automobile Loan Receivable Securities
- Automobile Lease Receivable Securities
- Car Rental Receivables Securities
- Credit Card Securities
- Healthcare Securities
- Student Loan Securities

2. Commercial ABS

- Cargo Securities
- Equipment Leasing Securities
- Aircraft Leasing Securities
- Small Business Loan Securities
- Restaurant and Food Services Securities
- Tobacco Litigation Securities

3. Non-RE-REMIC RMBS

- Manufactured Housing Loan Securities

4. Non-RE-REMIC CMBS

- CMBS – Conduit
- CMBS – Credit Tenant Lease
- CMBS – Large Loan
- CMBS – Single Borrower
- CMBS – Single Property

5. REITs

- REIT – Multifamily & Mobile Home Park
- REIT – Retail
- REIT – Hospitality
- REIT – Office
- REIT – Industrial
- REIT – Healthcare
- REIT – Warehouse
- REIT – Self Storage
- REIT – Mixed Use

6. Real Estate Operating Companies

Part B

Residential Mortgages

Residential "A"
Residential "B/C"
Home Equity Loans

Part C

Specialty Structured

Stadium Financings
Project Finance
Future flows

SCHEDULE D

Standard & Poor's Types of Asset-Backed Securities Ineligible for Notching

The following types of Asset-Backed Securities are not eligible to be notched in accordance with Part II of Schedule E unless otherwise agreed to by Standard & Poor's. Accordingly, the Standard & Poor's Rating of such Asset-Backed Securities must be determined pursuant to clause (i) or (ii) of the definition of "Standard & Poor's Rating" in the Offering Circular. This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

1. Non-U.S. Structured Finance Securities
2. Guaranteed Securities
3. CDOs of Structured Finance and Real Estate Securities
4. CBOs of CDOs
5. CLOs of Distressed Debt
6. Mutual Fund Fee Securities
7. Catastrophe Bonds
8. First Loss Tranches of any Securitization
9. Synthetics
10. Synthetic CBOs
11. Combination Securities
12. RE-REMICS
13. Market value CDOs
14. Net Interest Margin Securities (NIMs)
15. Interest Only Securities
16. Tobacco Settlement Securities
17. Any asset class not listed on Part II of Schedule E

SCHEDULE E

Part I Moody's Notching of Asset-Backed Securities

The following notching conventions are appropriate for Standard & Poor's-only rated tranches. The figures represent the number of notches to be subtracted from the Standard & Poor's rating. (For example, a "1" applied to a Standard & Poor's rating of "BBB" implies a Moody's rating of "Baa3".)

ASSET CLASS	"AAA" to "AA-"	"A+" TO "BBB-"	Below "BBB-"
Asset Backed			
Agricultural and Industrial Equipment loans	1	2	3
Aircraft and Auto leases and Car Rental Receivable Securities	2	3	4
Arena and Stadium	1	2	3
Financing Auto loan	1	2	3
Boat, Motorcycle, RV, Truck	1	2	3
Computer, Equipment and Small-ticket item leases	1	2	3
Consumer Loans	1	3	4
Credit Card	1	2	3
Cross-border transactions	1	2	3
Entertainment Royalties	1	2	3
Floorplan	1	2	3
Franchise Loans	1	2	4
Future Receivables	1	1	2
Health Care Receivables	1	2	3
Manufactured Housing	1	2	3
Mutual Fund Fees	1	2	4
Small Business Loans	1	2	3
Stranded Utilities	1	2	3
Structured Settlements	1	2	3
Student Loan	1	2	3
Tax Liens	1	2	3
Time Share Securities	1	2	3
Trade Receivables	2	3	4

The following notching conventions are with respect to Fitch:

Residential Mortgage Related			
	"AAA"	"AA+" to "BBB"	Below "BBB"
Jumbo A	1	2	4
Alt-A or mixed pools	1	3	5
HEL (including Residential B&C)	<i>No notching</i>	<i>No notching</i>	<i>No notching</i>

For dual-rated Jumbo A or Alt-A transactions, take the lower of the two ratings on the security, apply the appropriate single-rated notching guideline as set forth in the definition of Moody's Rating, then go up by 1/2 notch.

Catastrophe Bonds are not eligible to be notched unless otherwise agreed to by Moody's.

Part II
Standard & Poor's Notching of Asset-Backed Securities

The Standard and Poor's Rating of an Collateral Debt Security that is not of a type specified on Schedule D and that has not been assigned a rating by Standard & Poor's may be determined as set forth below.

- A. If such Collateral Debt Security is rated by Moody's and Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is the number of subcategories specified in Table A below the lowest of the ratings assigned by Moody's and Fitch.
- B. If the Collateral Debt Security is rated by Moody's or Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is one subcategory below the rating that is the number of subcategories specified in Table A below the rating assigned by Moody's or Fitch.

This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

Table A

	Asset-Backed Securities issued prior to August 1, 2001		Asset-Backed Securities issued on or after August 1, 2001	
	Current rating is:		Current rating is:	
	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent
1. Consumer ABS Automobile Loan Receivable Securities Automobile Lease Receivable Securities Car Rental Receivables Securities Credit Card Securities Healthcare Securities Student Loan Securities	-1	-2	-2	-3
2. Commercial ABS Cargo Securities Equipment Leasing Securities Aircraft Leasing Securities Small Business Loan Securities Restaurant and Food Services Securities	-1	-2	-2	-3
3. Non-Re-REMIC RMBS Manufactured Housing Loan Securities	-1	-2	-2	-3
4. Non-Re-REMIC CMBS CMBS – Conduit CMBS - Credit Tenant Lease CMBS – Large Loan CMBS – Single Borrower	-1	-2	-2	-3

CMBS – Single Property				
5. CBO/CLO Cashflow Securities Cash Flow CBO – at least 80% High Yield Corporate Cash Flow CBO – at least 80% Investment Grade Corporate Cash Flow CLO – at least 80% High Yield Corporate Cash Flow CLO – at least 80% Investment Grade Corporate	-1	-2	-2	-3
6. REITs REIT – Multifamily & Mobile Home Park REIT – Retail REIT – Hospitality REIT – Office REIT – Industrial REIT – Healthcare REIT – Warehouse REIT – Self Storage REIT – Mixed Use	-1	-2	-2	-3
7. Specialty Structured Stadium Financings Project Finance Future flows	-3	-4	-3	-4
8. Residential Mortgages Residential "A" Residential "B/C" Home Equity Loans	-1	-2	-2	-3
9. Real Estate Operating Companies	-1	-2	-2	-3

As of March 2004

INDEX OF DEFINED TERMS

Following is an index of defined terms used in this Offering Circular and the page number where each definition appears.

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