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DISCLAIMER

Attached please find an electronic copy of the Offering Circular dated March 31, 2004 (the "Offering Circular") relating to the offering by Lakeside CDO II, Ltd. and Lakeside CDO II, Inc. of certain notes and preference shares.

The information contained in the electronic copy of the Offering Circular has been formatted in a manner which should exactly replicate the printed Offering Circular; however, physical appearance may differ and other discrepancies may occur for various reasons, including electronic communication difficulties or particular user equipment. The user of this Offering Circular assumes the risk of any discrepancies between the printed Offering Circular and the electronic version of this document.

Neither this e-mail nor the attached Offering Circular constitutes an offer to sell or the solicitation of an offer to buy the securities described in the Offering Circular in any jurisdiction in which such offer or solicitation would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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) 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.

By opening the attached documents and accessing the Offering Circular, you agree to accept the provisions of this page and consent to the electronic transmission of the Offering Circular.

THIS E-MAIL IS NOT TO BE DISTRIBUTED OR FORWARDED TO ANY PERSON OTHER THAN THE PERSON RECEIVING THIS ELECTRONIC TRANSMISSION FROM MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED OR BEAR, STEARNS & CO. INC. AS INITIAL PURCHASERS AND ANY PERSON RETAINED TO ADVISE THE PERSON RECEIVING THIS ELECTRONIC TRANSMISSION WITH RESPECT TO THE OFFERING CONTEMPLATED IN THE OFFERING CIRCULAR AND IS NOT TO BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FURTHER DISTRIBUTION, FORWARDING OR REPRODUCTION OF THIS EMAIL IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT. EXCEPT AS EXPRESSLY AUTHORIZED HEREIN, THE INFORMATION CONTAINED IN THIS EMAIL MESSAGE IS CONFIDENTIAL INFORMATION INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHOM IT IS ADDRESSED.

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.

OFFERING CIRCULAR

U.S.$1,170,000,000 Class A-1 First Priority Senior Secured Floating Rate Delayed Draw Notes Due 2040
U.S.$279,900,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2040
U.S.$15,000,000 Class B Third Priority Secured Floating Rate Notes Due 2040
U.S.$15,000,000 Class C Mezzanine Secured Floating Rate Notes Due 2040
21,600 Preference Shares with an Aggregate Liquidation Preference of U.S.$21,600,000
Backed by a Portfolio of Asset-Backed Securities and Related Synthetic Securities

Lakeside CDO II, Ltd.
Lakeside CDO II, Inc.

Lakeside CDO II, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer"), and Lakeside CDO II, Inc., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), will issue U.S.$1,170,000,000 Class A-1 First Priority Senior Secured Floating Rate Delayed Draw Notes due 2040 (the "Class A-1 Notes"), U.S.$279,900,000 Class A-2 Second Priority Senior Secured Floating Rate Notes due 2040 (the "Class A-2 Notes"), U.S.$15,000,000 Class B Third Priority Secured Floating Rate Notes due 2040 (the "Class B Notes"), U.S.$15,000,000 Class C Mezzanine Secured Floating Rate Notes due 2040 (the "Class C Notes" and, together with the Class A-1 Notes, the Class A-2 Notes and the Class B Notes, the "Notes"). The Notes will be issued and secured pursuant to an Indenture dated as of March 31, 2004 (the "Indenture") between the Issuer, the Co-Issuer and LaSalle Bank National Association, as trustee (the "Trustee"). Concurrently with the issuance of the Notes, the Issuer will issue 21,600 Preference Shares with an aggregate liquidation preference of U.S.$21,600,000 (as more fully described herein, the "Preference Shares") *(continued on next page)*

It is a condition to the issuance of the Offered Securities that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and "AAA" by Fitch Ratings ("Fitch", and together with Moody's and Standard & Poor's, the "Rating Agencies"), that the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Fitch, that the Class B Notes be rated "A3" by Moody's, " A-" by Standard and Poor's and "A-" by Fitch and that the Class C Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch. The ratings of the Notes address the timely payment of interest and ultimate payment of principal on the Class A-1 Notes and Class A-2 Notes and the ultimate payment of interest and principal on the Class B Notes and Class C Notes. The Preference Shares will not be rated. No application will be made to list the Notes or the Preference Shares on any stock exchange.

SEE "RISK FACTORS" IN THIS OFFERING CIRCULAR FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE OFFERED SECURITIES. THE PLEDGED ASSETS OF THE ISSUER ARE 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, MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, BEAR, STEARNS & CO. INC. 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. THE OFFERED SECURITIES ARE BEING OFFERED (A) IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO QUALIFIED PURCHASERS (AS DEFINED HEREIN) WHO ARE ALSO (I) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (II) ACCREDITED INVESTORS WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT; AND (B) OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE LAWS. EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE WILL BE REQUIRED IN AN INVESTOR APPLICATION FORM DELIVERED TO THE ISSUER (AN "INVESTOR APPLICATION FORM") TO MAKE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS, WARRANTIES AND AGREEMENTS SET FORTH UNDER "TRANSFER RESTRICTIONS". A TRANSFER OF OFFERED SECURITIES (OR ANY INTEREST THEREIN) IS SUBJECT TO CERTAIN RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE IN A DENOMINATION LESS THAN THE REQUIRED MINIMUM DENOMINATION. SEE "TRANSFER RESTRICTIONS".

The Offered Securities are offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPFS" or the "Initial Purchaser") and, with respect to the Class B Notes, Class C Notes and Preference Shares, offered also by Bear, Stearns & Co. Inc. (the "Co-Manager" and, together with the Initial Purchaser, the "Initial Purchasers") subject to prior sale, when, as and if issued. The Initial Purchasers reserve 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 31, 2004 (the "Closing Date"), in the case of the Notes and the Regulation S Global Preference Shares, through the facilities of The Depository Trust Company ("DTC") and in the case of the Definitive Preference Shares, in the offices of Merrill Lynch, Pierce, Fenner & Smith Incorporated, against payment therefor in immediately available funds.

Merrill Lynch & Co.
Lead Manager and Sole Bookrunner

Bear, Stearns & Co. Inc.
Co-Manager

The date of this Offering Circular is March 31, 2004.

pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Paying Agency Agreement dated as of March 31, 2004 (the "Preference Share Paying Agency Agreement") between the Issuer and LaSalle Bank National Association, as preference share paying agent (in such capacity, the "Preference Share Paying Agent") and Walkers SPV Limited, as preference share registrar (in such capacity, the "Preference Share Registrar"). The Notes and the Preference Shares being offered hereby are referred to herein as the "Offered Securities". Subject in each case to the Priority of Payments, (a) holders of the Class A-1 Notes will be entitled to receive interest at a floating rate per annum equal to the applicable London interbank offered rate in effect from time to time plus 0.38%, (b) holders of the Class A-2 Notes will be entitled to receive interest and certain third parties will be entitled to receive compensation at an aggregate floating rate per annum not to exceed the applicable London interbank offered rate in effect from time to time plus 1.0375%, (c) holders of the Class B Notes will be entitled to receive interest at a floating rate per annum equal to the applicable London interbank offered rate in effect from time to time plus 1.65% and (d) holders of the Class C Notes will be entitled to received interest at a floating rate per annum equal to the applicable London interbank offered rate in effect from time to time plus 3.25%. See "Description of the Notes—Priority of Payments".

Interest on the Notes will be payable in U.S. dollars quarterly in arrears on each January 2, April 2, July 2 and October 2, commencing October 2, 2004 (each, a "Quarterly Distribution Date"), *provided* that (i) the final Quarterly Distribution Date with respect to the Notes shall be January 2, 2040, and (ii) if any such date is not a Business Day, the relevant Quarterly Distribution Date will be the next succeeding Business Day. Payments of principal of and interest and Commitment Fee on the Notes on any Quarterly Distribution Date will be made if and to the extent that funds are available on such Quarterly Distribution Date in accordance with the Priority of Payments set forth herein. See "Description of the Notes—Interest" and "Description of the Notes—Principal". The principal of each of the Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes is required to be paid by their applicable Stated Maturity, unless redeemed or repaid prior thereto. See "Description of the Notes—Principal". 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" of Notes.

Notwithstanding the foregoing, 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 on each Quarterly 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").

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, all of the Class C Notes are entitled to receive payments pari passu among themselves and all of the Preference Shares are entitled to receive payments pari passu among themselves. Except following a Rating Confirmation Failure and as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Quarterly Distribution Date is as follows: *first*, Class A-1 Notes, including payment of the Commitment Fee, *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 (e.g., the Class A-1 Notes are Senior to the Class A-2 Notes, Class B Notes and Class C Notes) 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 (e.g., the Class C Notes are Subordinate to the Class A-1 Notes, Class A-2 Notes and Class B Notes). No payment of interest on any Class of Notes will be made until all accrued and unpaid interest and Commitment Fee on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except following a Rating Confirmation Failure and as otherwise described in the Priority of Payments, no payment of principal of any Class of Notes will be made until all principal of, and accrued and unpaid interest and Commitment Fee 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".

The assets of the Issuer, which will be pledged to secure the Notes, will be comprised of (a) the Custodial Account, the Collateral Debt Securities and the Equity Securities, (b) the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Interest

Reserve Account, the Semi-Annual Interest Reserve Account, each Hedge Counterparty Collateral Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account, all funds and other property standing to the credit of each such account, Eligible Investments purchased with funds standing to the credit of each such account and all income from the investment of funds therein, (c) the rights of the Issuer under each Hedge Agreement, (d) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Investor Application Forms and the Class A-1 Note Purchase Agreement, (e) all cash delivered to the Trustee and (f) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral"). The security interest granted under the Indenture in each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account.

The Notes are subject to redemption under the circumstances described under "Description of the Notes—Optional Redemption and Tax Redemption", "—Auction Call Redemption" and "—Mandatory Redemption" and "—Priority of Payments".

On each Quarterly 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 only after the payment of interest on the Notes and certain other amounts in accordance with the Priority of Payments. Any Interest Proceeds permitted to be released from the lien of the Indenture on any Quarterly Distribution Date in accordance with the Priority of Payments and paid to the Preference Share Paying Agent will be distributed to the holders of the Preference Shares (the "Preference Shareholders") on such Quarterly Distribution Date. Until the Notes have been paid in full, Principal Proceeds will not be available to make distributions in respect of the Preference Shares. Subject to provisions of The Companies Law (2003 Revision) of the Cayman Islands governing the declaration and payment of dividends (as described herein), after the Notes have been paid in full, Interest Proceeds and Principal Proceeds remaining after all other applications under the Priority of Payments will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders on each Quarterly Distribution Date. Distributions (other than certain liquidating distributions described herein) will be made in cash. The Directors of the Issuer currently intend, in the event that the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders following the repayment in full of the Notes, to liquidate all of the Issuer's remaining investments in an orderly manner and distribute the proceeds of such liquidation to the Preference Shareholders. See "Description of the Preference Shares—Distributions".

The Notes are being offered at an issue price equal to 100% of the principal amount thereof. The Notes offered by the Co-Issuers in the United States will be offered in reliance on an exemption from the registration requirements of the Securities Act and will initially be represented by one or more global notes ("Restricted Global Notes") in fully registered form without interest coupons deposited with, and registered in the name of, DTC (or its nominee). The Notes offered by the Co-Issuers outside the United States will be offered in reliance upon Regulation S and will be represented by one or more global notes ("Regulation S Global Notes") in fully registered form without interest coupons deposited with, and registered in the name of, DTC (or its nominee). Except in the limited circumstances described herein, certificated Notes will not be issued in exchange for beneficial interests in a Restricted Global Note or a Regulation S Global Note. The Preference Shares offered by the Issuer in the United States will be offered in reliance upon an exemption from the registration requirements of the Securities Act ("Restricted Definitive Preference Shares"). All Restricted Definitive Preference Shares will be represented by certificates in fully registered definitive form, registered in the name of the legal and beneficial owner thereof (or a nominee acting on behalf of the disclosed legal and beneficial owner thereof). The Preference Shares offered by the Issuer outside the United States will be offered in reliance upon Regulation S ("Regulation S Preference Shares"). Regulation S Preference Shares will be represented by either (i) one or more global preference shares ("Regulation S Global Preference Shares") in fully registered form without interest coupons deposited with, and registered in the name of, DTC (or its nominee) and deposited with or on behalf of DTC initially for the accounts of Euroclear, and/or Clearstream, Luxembourg 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"). See "Description of the Notes—Form, Denomination, Registration and Transfer" and "Description of the Preference Shares—Form, Registration and Transfer". No application will be made to list the Notes or Preference Shares on any stock exchange.

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.

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 INITIAL PURCHASERS, THE COLLATERAL MANAGER, THE HEDGE COUNTERPARTIES OR ANY OF THEIR RESPECTIVE AFFILIATES. 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 FOR SUCH PERSON 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 BY THE CO-ISSUERS AND THE INITIAL PURCHASERS TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS. IN PARTICULAR, THERE ARE 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. SEE "PLAN OF DISTRIBUTION". NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE OF ANY SECURITY OFFERED HEREBY SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CO-ISSUERS OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE AS OF WHICH SUCH INFORMATION IS GIVEN HEREIN. THE CO-ISSUERS AND THE INITIAL PURCHASERS RESERVE THE RIGHT, FOR ANY REASON, TO REJECT ANY OFFER TO PURCHASE IN WHOLE OR IN PART, TO ALLOT TO ANY OFFEREE LESS THAN THE FULL AMOUNT OF OFFERED SECURITIES SOUGHT BY SUCH OFFEREE OR TO SELL LESS THAN THE AGGREGATE STATED PRINCIPAL AMOUNT OF ANY CLASS OF NOTES OR THE NUMBER OF PREFERENCE SHARES.

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, THE COLLATERAL MANAGER, ANY RATING AGENCY, THE SHARE TRUSTEE, THE INITIAL PURCHASERS, ANY HEDGE COUNTERPARTY, ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PERSON OR ENTITY WILL BE OBLIGATED TO MAKE PAYMENTS ON THE NOTES. CONSEQUENTLY, THE 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 AND COMMITMENT FEE THEREON.

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. 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.

THE OFFERED SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE OFFERED SECURITIES ARE TO BE PURCHASED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED BY AN INVESTOR DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY OFFERED SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREOF ("RULE 144A") OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ON ANY APPLICABLE STATE SECURITIES LAWS. FOR CERTAIN RESTRICTIONS ON RESALE, SEE "DESCRIPTION OF THE NOTES—FORM, DENOMINATION, REGISTRATION AND TRANSFER", "DESCRIPTION OF THE PREFERENCE SHARES—FORM, REGISTRATION AND TRANSFER", AND "TRANSFER RESTRICTIONS". A TRANSFER OF OFFERED SECURITIES IS SUBJECT TO THE RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE OF AN OFFERED SECURITY (1) EXCEPT AS PERMITTED UNDER (A) THE SECURITIES ACT PURSUANT TO AN EXEMPTION FROM REGISTRATION AS DESCRIBED HEREIN, (B) APPLICABLE STATE SECURITIES LAWS AND (C) APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION, (2) EXCEPT IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SET FORTH IN THE INDENTURE AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, RESPECTIVELY AND (3) IN A DENOMINATION LESS THAN THE REQUIRED MINIMUM DENOMINATION (IN THE CASE OF THE NOTES) OR A NUMBER LESS THAN THE REQUIRED MINIMUM NUMBER (IN THE CASE OF THE PREFERENCE SHARES). THE OFFERED SECURITIES ARE SUBJECT TO FURTHER RESTRICTIONS ON TRANSFER. SEE "TRANSFER RESTRICTIONS".

NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), BY REASON OF THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(c)(7) THEREOF. NO TRANSFER OF THE OFFERED SECURITIES WHICH 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 WILL BE PERMITTED. ANY TRANSFER OF A REGULATION S NOTE OR A RESTRICTED NOTE THAT IS A DEFINITIVE NOTE MAY BE EFFECTED ONLY ON THE NOTE REGISTER MAINTAINED BY THE NOTE REGISTRAR PURSUANT TO THE INDENTURE. ANY TRANSFER OF AN INTEREST IN A RESTRICTED GLOBAL NOTE OR A REGULATION S GLOBAL NOTE WILL BE SHOWN ON, AND TRANSFERS THEREOF WILL BE EFFECTED ONLY THROUGH, RECORDS MAINTAINED BY DTC AND ITS DIRECT AND INDIRECT PARTICIPANTS (INCLUDING, IN THE CASE OF REGULATION S GLOBAL NOTES, EUROCLEAR AND

CLEARSTREAM, LUXEMBOURG). ANY TRANSFER OF PREFERENCE SHARES MAY BE EFFECTED ONLY ON THE PREFERENCE SHARE REGISTER MAINTAINED BY THE PREFERENCE SHARE REGISTRAR (THE "PREFERENCE SHARE REGISTRAR") PURSUANT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT.

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 ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS ANY NOTE OR INTEREST THEREIN WILL NOT BE) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (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 FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION AND HOLDING OF SUCH NOTE WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF 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). 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 (AS DEFINED IN THE PLAN ASSET REGULATIONS OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3–101(f)) (THE "PLAN ASSET REGULATION") (ANY SUCH PERSON, A "BENEFIT PLAN INVESTOR"). NO TRANSFER OF PREFERENCE SHARES AFTER THE CLOSING DATE WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER IF THE TRANSFEREE IS A BENEFIT PLAN INVESTOR.

FOR THESE REASONS, AMONG OTHERS, 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, REINVESTMENT OF PROCEEDS OF 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.

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"). 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 accordingly. 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 Purchasers nor any of their 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 Collateral Manager 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 (other than the information set forth herein describing the Collateral Manager). None of the Hedge Counterparties, any of their guarantors 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. 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.

All of the statements in this Offering Circular with respect to the business of the Co-Issuers, and any financial projections or other forecasts, are based on information furnished by the Co-Issuers. See "Forward Looking Statements". Neither the Initial Purchasers, the Collateral Manager nor any of their respective affiliates assumes any responsibility for the performance of any obligations of either of the Co-Issuers or any other person described in this Offering Circular or for the due execution, validity or enforceability of the Offered Securities, instruments or documents delivered in connection with the Offered Securities (other than in respect of its own obligations), or for the value or validity of any collateral or security interests pledged in connection therewith. None of the Hedge Counterparties assume any responsibility for the performance of any obligations of any other person described in this Offering Circular or for the due execution, validity or enforceability of the Offered Securities, instruments or documents delivered in connection with the Offered Securities (other than its own obligations under documents entered into by it) or for the value or validity of any collateral or security interests pledged in connection therewith.

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 Merrill Lynch, Pierce, Fenner & Smith Incorporated at 4 World Financial Center, New York, New York 10080; Attention: Global Structured Credit Products.

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.

Each purchaser in the initial distribution (an "Original Purchaser") of an Offered Security offered and sold in the United States will be required (or in certain circumstances deemed) to represent to the Initial Purchasers (or, in the case of the Class A-1 Notes and Class A-2 Notes, MLPFS) and the Co-Issuers (or, in the case of the Preference Shares, the Issuer) that it is either (a)(i) a "Qualified Institutional Buyer" (as defined in Rule 144A under the Securities Act), (ii) an Accredited Investor within the meaning of Rule 501(a) (an " Accredited Investor") under the Securities Act, and (b) in each case, a Qualified Purchaser (as defined herein) acquiring the Offered Security for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). Each Original Purchaser of an Offered Security offered and sold in reliance on Regulation S will be required (or in certain circumstances deemed) to represent to the Initial Purchasers (or, in the case of the Class A-1 Notes and Class A-2 Notes, MLPFS) and the Co-Issuers (or, in the case of the Preference Shares, the Issuer) that it

is not a U.S. Person, as such term is defined in Regulation S (a "U.S. Person"), and is acquiring the Offered Security in an offshore transaction in accordance with Regulation S, for its own account and not for the account or benefit of a U.S. Person. Each Original Purchaser of Offered Securities will also be required (or in certain circumstances deemed) to acknowledge that the Offered Securities have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (a)(i) to a person (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 Securities Act registration provided by Rule 144A and (B) that is a Qualified Purchaser, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (iii) in the case of a 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), (b) in compliance with the certification and other requirements set forth in the Indenture or the Preference Share Paying Agency Agreement and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Notwithstanding the foregoing, each Original Purchaser of Class A-2 Notes will be deemed to (a) make the representations set forth in the supplement to this Offering Circular setting forth additional information with respect to the Class A-2 Notes and (b) acknowledge that the Class A-2 Notes may not be reoffered, resold, pledged or otherwise transferred except as described 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. Each Original Purchaser of an Offered Security that is a U.S. Person will be required (or in certain circumstances deemed) to represent that it or the account for which it is purchasing such Offered Security is a Qualified Purchaser. A "Qualified Purchaser" is (i) a "qualified purchaser" as defined in the Investment Company Act, or (ii) a company beneficially owned exclusively by one or more "qualified purchasers" and/or "knowledgeable employees" with respect to the Issuer. For a description of these and certain other restrictions on offers and sales of the Offered Securities and distribution of this Offering Circular, see "Transfer Restrictions".

Although the Initial Purchasers may from time to time make a market in any Class of Notes or the Preference Shares, the Initial Purchasers are under no obligation to do so. In the event that either Initial Purchaser commences any market-making, such Initial Purchaser may discontinue the same at any time. There can be no assurance that a secondary market for any Class of the Notes or the Preference Shares 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.

THIS OFFERING CIRCULAR IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED TO BE RELIED UPON ALONE AS THE BASIS FOR AN INVESTMENT DECISION. IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CO-ISSUERS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED AND MUST NOT RELY UPON INFORMATION PROVIDED BY OR STATEMENTS MADE BY THE INITIAL PURCHASERS OR ANY OF THEIR AFFILIATES. 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.

NONE OF THE CO-ISSUERS, THE INITIAL PURCHASERS, THE COLLATERAL MANAGER OR 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.

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.

In this Offering Circular, references to "U.S. Dollars", "Dollars" and "U.S.$" are to United States dollars.

Offers, sales and deliveries of the Offered Securities are subject to certain restrictions in the United States, the United Kingdom, the Cayman Islands and other jurisdictions. See "Plan of Distribution" and "Transfer Restrictions".

No invitation may be made to the public in the Cayman Islands to subscribe for the Offered Securities.

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 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 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 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

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

NOTICE TO RESIDENTS OF DENMARK

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASERS 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 HAVE NOT BEEN AND WILL NOT BE OFFERED, MARKETED, DISTRIBUTED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY IN THE REPUBLIC OF FRANCE OR TO THE PUBLIC IN THE REPUBLIC OF FRANCE OTHER THAN TO QUALIFIED INVESTORS (INVESTISSEURS QUALIFIES) ACTING FOR THEIR OWN ACCOUNT AND/OR A LIMITED CIRCLE OF INVESTORS (CERCLE RESTREINT D'INVESTISSEURS), ALL AS DEFINED IN

AND IN ACCORDANCE WITH ARTICLE L. 411-2 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER AND DÉCRET NO. 98-880 DATED 1 OCTOBER 1998.

THE OFFERED SECURITIES WILL NOT BE SUBJECT TO ANY APPROVAL BY OR REGISTRATION (VISA) WITH THE FRENCH AUTORITÉ DES MARCHÉS FINANCIERS.

THE DIRECT OR INDIRECT OFFER, MARKETING, DISTRIBUTION, SALE, RE-SALE OR OTHER TRANSFER OF THE OFFERED SECURITIES TO THE PUBLIC IN THE REPUBLIC OF FRANCE MUST COMPLY WITH ARTICLES L. 411-1, L.411-2, L.412-1 AND L.621-8 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER.

IN RESPECT OF OFFERED SECURITIES OFFERED, MARKETED, DISTRIBUTED SOLD, RESOLD OR OTHERWISE TRANSFERRED TO A LIMITED CIRCLE OF MORE THAN 100 INVESTORS (CERCLE RESTREINT D'INVESTISSEURS) IN THE REPUBLIC OF FRANCE, EACH INVESTOR IN SUCH LIMITED CIRCLE OF INVESTORS (CERCLE RESTREINT D'INVESTISSEURS) MUST CERTIFY HIS/HER PERSONAL, PROFESSIONAL OR FAMILY RELATIONSHIP WITH ONE OF THE DIRECTORS.

NOTICE TO RESIDENTS OF GERMANY

THE DISTRIBUTION OF THE OFFERED SECURITIES IN GERMANY IS SUBJECT TO THE RESTRICTIONS CONTAINED IN THE GERMAN FOREIGN INVESTMENT ACT (*AUSLANDSINVESTMENTGESETZ*); IN PARTICULAR, THEY MAY NOT BE PUBLICLY DISTRIBUTED.

NOTICE TO RESIDENTS OF HONG KONG

NO PERSON MAY OFFER OR SELL ANY OFFERED SECURITIES IN HONG KONG BY MEANS OF THIS OFFERING CIRCULAR OR ANY OTHER DOCUMENT OTHERWISE THAN TO PERSONS WHOSE ORDINARY BUSINESS IT IS TO BUY OR SELL SHARES OR DEBENTURES (WHETHER AS PRINCIPAL OR AGENT) OR IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG). UNLESS IT IS A PERSON WHO IS PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG, NO PERSON MAY IN HONG KONG ISSUE, OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, THIS OFFERING CIRCULAR OR ANY OTHER ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE OFFERED SECURITIES OTHER THAN (I) IN RESPECT OF OFFERED SECURITIES TO BE DISPOSED OF TO PERSONS OUTSIDE HONG KONG OR ONLY TO PERSONS WHOSE BUSINESS INVOLVES THE ACQUISITION, DISPOSAL OR HOLDING OF SECURITIES, WHETHER AS PRINCIPAL OR AGENT, OR (II) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN INVITATION TO THE PUBLIC WITHIN THE MEANING OF THE PROTECTION OF INVESTORS ORDINANCE (CHAPTER 335 OF THE LAWS OF HONG KONG).

NOTICE TO RESIDENTS OF JAPAN

THE OFFERED SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF JAPAN. NEITHER THE OFFERED SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO OR FOR THE ACCOUNT OF ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR RE-OFFERING OR SALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO A RESIDENT OF JAPAN EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND

OTHERWISE IN COMPLIANCE WITH, THE SECURITIES AND EXCHANGE LAW AND ANY OTHER APPLICABLE LAW, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

NOTICE TO RESIDENTS OF THE NETHERLANDS

THE OFFERED SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, WHETHER DIRECTLY OR INDIRECTLY, TO ANY INDIVIDUAL OR LEGAL ENTITY IN THE NETHERLANDS OTHER THAN TO INDIVIDUALS WHO, OR LEGAL ENTITIES WHICH, IN THE COURSE OF THEIR OCCUPATION OR BUSINESS, DEAL OR INVEST IN SECURITIES (AS SET OUT IN SECTION 1 OF THE REGULATION OF 9 OCTOBER 1990 IN IMPLEMENTATION OF SECTION 14 OF THE ACT ON THE SUPERVISION OF INVESTMENT INSTITUTIONS).

NOTICE TO RESIDENTS OF SINGAPORE

THIS OFFERING CIRCULAR WILL, PRIOR TO ANY SALE OF SECURITIES PURSUANT TO THE PROVISIONS OF SECTION 106D OF THE COMPANIES ACT (CAP. 50), BE LODGED, PURSUANT TO SAID SECTION 106D, WITH THE REGISTRAR OF COMPANIES IN SINGAPORE, WHICH TAKES NO RESPONSIBILITY FOR ITS CONTENTS, BUT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE REGISTRAR OF COMPANIES IN SINGAPORE. ACCORDINGLY, THE OFFERED SECURITIES MAY NOT BE OFFERED, AND NEITHER THIS OFFERING CIRCULAR NOR ANY OTHER OFFERING DOCUMENT OR MATERIAL RELATING TO THE OFFERED SECURITIES MAY BE CIRCULATED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO THE PUBLIC OR ANY MEMBER OF THE PUBLIC IN SINGAPORE OTHER THAN TO INSTITUTIONAL INVESTORS OR OTHER PERSONS OF THE KIND SPECIFIED IN SECTION 106C AND SECTION 106D OF THE COMPANIES ACT OR ANY OTHER APPLICABLE EXEMPTION INVOKED UNDER DIVISION 5A OF PART IV OF THE COMPANIES ACT. THE FIRST SALE OF SECURITIES ACQUIRED UNDER A SECTION 106C OR SECTION 106D EXEMPTION IS SUBJECT TO THE PROVISIONS OF SECTION 106E OF THE COMPANIES ACT.

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 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 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 (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.

FORWARD LOOKING STATEMENTS

Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain assumptions specified herein. 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, differences in the actual allocation of the Collateral Debt Securities among asset categories from those assumed, the timing of acquisitions of the Collateral Debt Securities, the timing and frequency of defaults on the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities (particularly prior to the Ramp-Up Completion Date), defaults under Collateral Debt Securities and the effectiveness of the Interest Rate Hedge Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Trustee, the Collateral Manager, the Initial Purchasers 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 Initial Purchasers or their respective affiliates 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.

TABLE OF CONTENTS

THE OFFERING

The following summary 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 appears at the back of this Offering Circular.

Securities Offered:

U.S.$1,170,000,000 aggregate principal amount Class A-1 First Priority Senior Secured Floating Rate Delayed Draw Notes due January 2, 2040 (the "Class A-1 Notes").

U.S.$279,900,000 aggregate principal amount Class A-2 Second Priority Senior Secured Floating Rate Notes due January 2, 2040 (the "Class A-2 Notes").

U.S.$15,000,000 aggregate principal amount Class B Third Priority Secured Floating Rate Notes due January 2, 2040 (the "Class B Notes").

U.S.$15,000,000 aggregate principal amount Class C Mezzanine Secured Floating Rate Notes due January 2, 2040 (the "Class C Notes" and, together with the Class A-1 Notes, Class A-2 Notes and Class B Notes, the "Notes").

21,600 Preference Shares, par value U.S.$0.01 per share, having a liquidation preference of U.S.$1,000 per share (the "Preference Shares" and, together with the Notes, the "Offered Securities").

The Notes will be issued and secured pursuant to an Indenture dated as of March 31, 2004 (the "Indenture"), between the Issuer, the Co-Issuer and LaSalle Bank National Association, as trustee (in such capacity, together with its successors in such capacity, the "Trustee"). Each of the Hedge Counterparties, the Collateral Manager and each Preference Shareholder will be an express third party beneficiary of the Indenture. See "Description of the Notes—Status and Security" and "—The Indenture". 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 pursuant to the Indenture for the benefit of the holders from time to time of the Notes, the Hedge Counterparties, the Collateral Manager and the Trustee (collectively, the "Secured Parties"). See "Description of the Notes—Status and Security".

All Notes and the Preference Shares will be issued on the Closing Date. U.S.$110,700,000 of the principal amount of the Class A-1 Notes will be advanced on the Closing Date. Further advances may be made under the Class A-1 Notes after the Closing Date as provided in the Class A-1 Note Purchase Agreement, subject to the conditions set forth therein.

The terms of the Preference Shares will be set out in the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and will be issued in accordance with a Preference Share Paying Agency Agreement dated as of March 31, 2004 (the "Preference Share Paying Agency Agreement") between the Issuer, Walkers SPV Limited, as preference share registrar, and LaSalle Bank National Association, as preference share paying agent (in such capacity, the "Preference Share Paying Agent").

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, all of the Class C Notes are entitled to receive payments pari passu among themselves and all of the Preference Shares are entitled to receive payments pari passu among themselves. Except following a Rating Confirmation Failure and as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Quarterly Distribution Date is as follows: *first*, Class A-1 Notes, including payment of the Commitment Fee, *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 and Commitment Fee 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 accrued and unpaid interest and Commitment Fee 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".

Drawdown of the Class A-1 Notes:

Pursuant to a Class A-1 Note Purchase Agreement dated March 31, 2004 (the "Class A-1 Note Purchase Agreement") between the Issuer, the Co-Issuer, the Trustee and the holders from time to time of the Class A-1 Notes, the holders of the Class A-1 Notes (or the Liquidity Provider(s) with respect to any such holder) will commit to make monthly advances under the Class A-1 Notes, on and subject to the terms and conditions specified therein, provided that the aggregate principal amount advanced under the Class A-1 Notes will not exceed $1,170,000,000. Subject to compliance with certain borrowing conditions specified in the Class A-1 Note Purchase Agreement and described herein under "Description of the Notes—Drawdown—Class A-1 Notes", the Issuer may borrow amounts under the Class A-1 Notes during the Commitment Period (as defined herein). The aggregate principal amount that may be borrowed on any day (other than any borrowing of the entire unused amount of the Commitments under the Class A-1 Note Purchase Agreement) will be an integral multiple of U.S.$ 1,000 and at least U.S.$5,000,000. See "Description of the Notes—Drawdown—Class A-1 Notes".

Prior to the Commitment Period Termination Date, each holder of Class A-1 Notes will be required to satisfy the Rating Criteria. If any holder of Class A-1 Notes fails at any time prior to the Commitment Period Termination Date to comply with the Rating Criteria, the Issuer will have the right under the Class A-1 Note Purchase Agreement to, and will be obligated under the Indenture to, replace such holder with another entity that meets such ratings requirement (by requiring the replaced holder to transfer all of its rights and obligations in respect of the Class A-1 Notes to the transferee entity). The "Rating Criteria" will be satisfied on any date with respect to any holder of Class A-1 Notes if (a) the short-term debt, deposit or similar obligations of such holder are on such date rated at least

"P-1" by Moody's and "A-1+" by Standard & Poor's or (b) such holder is then entitled under a Liquidity Facility to borrow loans from, or sell Class A-1 Notes to, one or more financial institutions (each, a "Liquidity Provider") so long as the short-term debt, deposit or similar obligations of each such Liquidity Provider are on such date rated at least "P-1" by Moody's and at least "A-1" by Standard & Poor's. A "Liquidity Facility" is a liquidity facility agreement providing for the several commitments of the Liquidity Providers party thereto to make loans to, or purchase Class A-1 Notes from, a holder of Class A-1 Notes up to in an aggregate principal amount at any one time outstanding equal to the aggregate undrawn principal amount of Class A-1 Notes held by such holder. The purchase of Class A-1 Notes (whether in connection with the initial placement or in a subsequent transfer) by any purchaser who does not satisfy the Rating Criteria set forth in clause (a) of the definition thereof at the time of such purchase but who is then entitled to the benefits of a Liquidity Facility described in clause (b) of such definition will be subject to the requirement that each Rating Agency confirm that the acquisition of Class A-1 Notes by such purchaser will not result in a downgrade or withdrawal of its then-current rating, if any, of any Class of Notes.

The Co-Issuers:

Lakeside CDO II, Ltd. (the "Issuer") is an exempted company incorporated under The Companies Law (2003 Revision) of the Cayman Islands pursuant to the Issuer Charter. The entire share capital of the Issuer consists of (a) 1,000 ordinary shares, par value U.S.$1.00 per share, each of which will be held in trust for charitable purposes by Walkers SPV Limited in the Cayman Islands (the "Share Trustee") under the terms of a declaration of trust, and (b) 21,600 Preference Shares, par value U.S.$0.01 per share, having a liquidation preference of U.S.$1,000 per share. The Indenture and Issuer Charter will provide that the activities of the Issuer are limited to (1) acquiring and disposing of, and investing and reinvesting in, Collateral Debt Securities, Equity Securities acquired by the Issuer in the limited circumstances described herein and Eligible Investments, (2) entering into and performing its obligations under the Indenture, the Hedge Agreements, the Collateral Management Agreement, the Administration Agreement, the Collateral Administration Agreement, the Class A-1 Note Purchase Agreement, the Purchase Agreement, the Investor Application Forms, the Class A-2 Agency and Amending Agreement and the Preference Share Paying Agency Agreement, (3) issuing and selling the Offered Securities, (4) pledging the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties, (5) owning the shares of the Co-Issuer and (6) other activities incidental to the foregoing.

Lakeside CDO II, Inc., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), was incorporated for the sole purpose of co-issuing the Notes. The entire authorized share capital of the Co-Issuer is owned by the Issuer.

The Issuer will not have any material assets other than the Collateral Debt Securities, Equity Securities, Eligible Investments and rights under the Hedge Agreements, the Class A-1 Note Purchase Agreement and under certain other agreements entered into as described herein.

The Co-Issuer will not have any assets (other than the proceeds of its shares, being U.S.$1,000) 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 in respect of the Collateral Debt Securities or otherwise.
Use of Proceeds:	The gross proceeds received from the issuance and sale of the Offered Securities will be approximately U.S.$1,500,000,000 (after giving effect to all Borrowings under the Class A-1 Notes). The net proceeds from the issuance and sale of the Offered Securities are expected to be approximately U.S.$1,495,000,000, which reflects the payment from such gross proceeds of 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 Collateral Manager and the Initial Purchasers), the expenses, fees and commissions incurred in connection with the acquisition of the Collateral Debt Securities for inclusion in the Collateral on or prior to the Closing Date, the expenses of offering the Offered Securities (including fees payable to the Initial Purchasers in connection with the offering of the Offered Securities) and the initial deposit into the Expense Account and the Interest Reserve Account. Such net proceeds will be used by the Issuer to purchase a diversified portfolio of interests in (a) certain Asset-Backed Securities and (b) Synthetic Securities that, in each case, satisfy the investment criteria described herein. See "Security for the Notes".
Interest Payments on the Notes:	The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.38%. The Class A-2 Notes will bear interest, and certain third parties will be entitled to compensation, at a floating rate per annum not to exceed LIBOR plus 1.0375%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.65%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.25%. Interest on the Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. Interest on the Notes will accrue from the Closing Date (or, with respect to any Borrowing under the Class A-1 Notes after the Closing Date, from the date of such Borrowing). Accrued and unpaid interest will be payable quarterly in arrears on each Quarterly Distribution Date, if and to the extent that funds are available on such Quarterly Distribution Date in accordance with the Priority of Payments set forth herein. 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 Quarterly Distribution Date, all as described in the Class A-2 Notes Supplement. See "Description of the Notes – Interest". Additionally, so long as any Notes are outstanding, if either Coverage Test is not satisfied on any Determination Date related to any Quarterly Distribution Date, then Interest Proceeds that would otherwise be distributed to the Preference Shareholders will be used instead to redeem, *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 Coverage Test is satisfied. See "Description of the Notes—Priority of Payments".
Commitment Fee on the Class A-1 Notes:	A commitment fee ("Commitment Fee") will accrue on the undrawn principal amount of the Class A-1 Notes for each day from and including

the Closing Date to but excluding the date the Aggregate Undrawn Amount of the Class A-1 Notes is reduced to zero, at a rate per annum equal to 0.05%. Commitment Fee will be payable quarterly in arrears on each Quarterly Distribution Date and will rank *pari passu* with the payment of interest on the Class A-1 Notes. Commitment Fee will be computed on the basis of a 360-day year and the actual number of days elapsed. No Class of Notes other than the Class A-1 Notes will be entitled to a commitment fee. See "Description of the Notes—Commitment Fee on Class A-1 Notes".

Distributions on the Preference Shares:

On each Quarterly 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 only after the payment of interest on the Notes and certain other amounts in accordance with the Priority of Payments, *provided* that if the Preference Shareholders shall have received an annualized Dividend Yield of 15% per annum and the Class C Notes have not been redeemed, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay principal of the Class C Notes, until the Class C Notes have been paid in full.

Any Interest Proceeds permitted to be released from the lien of the Indenture on any Quarterly Distribution Date in accordance with the Priority of Payments and paid to the Preference Share Paying Agent will be distributed to the Preference Shareholders on each Quarterly Distribution Date. Until the Notes 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. Subject to provisions of The Companies Law (2003 Revision) of the Cayman Islands governing the declaration and payment of dividends (as described herein), after the Notes have been paid in full, Interest Proceeds and Principal Proceeds remaining after all other applications under the Priority of Payments will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders on each Quarterly Distribution Date. Distributions will be made in cash (except certain liquidating distributions). See "Description of the Preference Shares—Distributions".

If either of the Coverage Tests is not satisfied on the Determination Date related to any Quarterly Distribution Date, then Interest Proceeds that would otherwise be distributed to Preference Shareholders on the related Quarterly Distribution Date (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. If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the first Determination Date following the Ramp-Up Completion Date, funds that would otherwise be distributed to Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be applied to the payment of principal of, at the option of the Collateral Manager on behalf of the Issuer (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by

an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation. See "Description of the Notes—Priority of Payments".

Maturity; Average Life; Duration:

The stated maturity of the Notes is January 2, 2040 (with respect to each Class of Notes, the "Stated Maturity"). Each Class of Notes will mature at the applicable Stated Maturity unless redeemed or repaid prior thereto. The average life of each Class of Notes and the duration of the Preference Shares will be less than the number of years until the Stated Maturity of the Notes. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors—Projections, Forecasts and Estimates".

Principal Repayment of the Notes:

Principal Proceeds will be applied on each Quarterly Distribution Date in accordance with the Priority of Payments to pay principal of each Class of Notes, with principal of a Class of Notes being paid prior to the payment of principal of each other Class of Notes then outstanding that is Subordinate to the Class of Notes being paid. The amount and frequency of principal payments of a Class of Notes will depend upon, among other things, the amount and frequency of payments of such principal and interest received with respect to the Collateral Debt Securities.

Payments of principal may be made on the Notes only in the following circumstances (subject, in each case, to the Priority of Payments): (a) in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption, (b) upon the failure of the Issuer to meet either Coverage Test, (c) in the event of a Rating Confirmation Failure, (d) in the case of the Class C Notes, if the Preference Shareholders have received an annualized Dividend Yield of 15% per annum, from Interest Proceeds as provided in paragraph (16) under the heading "Description of the Notes—Priority of Payments—Interest Proceeds", and (e) on each Quarterly Distribution Date, from Principal Proceeds in accordance with the Priority of Payments to pay principal of each Class of Notes, with principal of Class A-1 Notes being paid prior to the payment of principal of Class A-2 Notes, the principal of Class A-2 Notes being paid prior to the payment of the principal of Class B Notes and the principal of Class B Notes being paid prior to the payment of the principal of Class C Notes in the circumstances listed in clauses (a), (b) and (e) above and with principal of Class C Notes being paid prior to the payment of principal of Class B Notes, Class A-2 Notes and Class A-1 Notes, in the circumstances listed in clause (d) above and with principal of the Notes being paid at the option of the Collateral Manager on behalf of the Issuer on (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation, in the circumstances described in clause (c) above, in each case as described in "Description of the Notes—Priority of Payments—Principal Proceeds", "—Priority of Payments—Interest Proceeds", "— Optional Redemption and Tax Redemption" "—Mandatory Redemption" and "—Auction Call Redemption".

Mandatory Redemption:	Each Class of Notes shall, on any Quarterly Distribution Date, be subject to mandatory redemption in the event that either Coverage Test is not satisfied on the related Determination Date. Any such redemption will be effected from Interest Proceeds to the extent necessary to cause each Coverage Test to be satisfied. Any such redemption will be applied to each outstanding Class of Notes in accordance with its relative seniority and will otherwise be effected as described below under "Description of the Notes—Priority of Payments". In the event of a Rating Confirmation Failure, as described under "Description of the Notes—Mandatory Redemption", the Issuer will be required to apply on the first Quarterly Distribution Date following the Ramp-Up Completion Date, Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Notes in full, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Notes in full, Principal Proceeds to the repayment, at the option of the Collateral Manager on behalf of the Issuer of (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation.
Optional Redemption and Tax Redemption of the Notes:	Subject to certain conditions described herein, on the Quarterly Distribution Date occurring on October 2, 2008 or on any Quarterly Distribution Date thereafter, the Issuer may redeem the Notes (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. See "Description of the Notes—Optional Redemption and Tax Redemption". In addition, upon the occurrence of a Tax Event, the Issuer may redeem, subject to the satisfaction of the Tax Materiality Condition, the Notes (such redemption, a "Tax Redemption") on any Quarterly 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 Quarterly Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Preference Shareholders. No Optional Redemption or Tax Redemption may be effected, however, unless proceeds from the sale of Collateral Debt Securities, together with all cash and 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, the Semi-Annual Interest Reserve Account and the Payment Account are at least equal to an amount sufficient to pay (in accordance with the Priority of Payments) the Total Senior Redemption Amount.

	The "Total Senior Redemption Amount" means, as of any Quarterly Distribution Date, the aggregate amount required (a) to make all payments of accrued and unpaid amounts under the Indenture as of such date (including any termination payments payable by the Issuer pursuant to the Hedge Agreements and any fees and expenses incurred by the Trustee in connection with the sale of Collateral Debt Securities), (b) to redeem all the Notes on the scheduled Redemption Date at the applicable Redemption Prices, together with all accrued and unpaid interest and Commitment Fee to the date of redemption and (c) solely in the case of an Auction Call Redemption pursuant to the Indenture, to make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount equal to the Preference Share Redemption Date Amount (or such lesser amount as is agreed by Preference Shareholders whose aggregate Voting Percentages at such time equal 100% of all Preference Shareholders' Voting Percentages at such time).
Auction Call Redemption:	If the Notes have not been redeemed in full prior to the Quarterly Distribution Date occurring in October 2012, then an auction of the Collateral Debt Securities will be conducted by the Trustee on behalf of the Issuer and, *provided* that certain conditions are satisfied, the Collateral Debt Securities will be sold and the Notes will be redeemed on such Quarterly Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Quarterly Distribution Date, the Trustee will conduct auctions on a quarterly basis until the Notes are redeemed in full. See "Description of the Notes—Auction Call Redemption."
Optional Redemption of the Preference Shares:	Subject to certain conditions described herein, on any Quarterly Distribution Date on or after the Quarterly 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, at the redemption price therefor. See "Description of the Preference Shares—Optional Redemption".
Security for the Notes:	Pursuant to the Indenture, the Notes, (together with the Issuer's obligations to the Hedge Counterparties under the Hedge Agreements, to the Collateral Manager under the Collateral Management Agreement and to the Trustee), will be secured by: (a) the Custodial Account, the Collateral Debt Securities and the Equity Securities, (b) the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Interest Reserve Account, the Semi-Annual Interest Reserve Account, each Hedge Counterparty Collateral Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account, all funds and other property standing to the credit of each such account, Eligible Investments purchased with funds standing to the credit of each such account and all income from the investment of funds therein, (c) the rights of the Issuer under each Hedge Agreement, (d) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Investor Application Forms and the Class A-1 Note Purchase Agreement, (e) all cash delivered to the Trustee, and (f) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral"). In the event of any realization on the Collateral, proceeds

will be allocated to the payment of each Class of Notes in accordance with the respective priorities established by the Priority of Payments. The security interest granted under the Indenture in each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account.

Acquisitions and Dispositions of Collateral:

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.$400,000,000. The Issuer expects that, no later than the First Ramp-Up Test Date, it will have purchased Collateral Debt Securities having an aggregate Principal Balance of at least U.S.$650,000,000, no later than the Second Ramp-Up Test Date, it will have purchased Collateral Debt Securities having an aggregate Principal Balance of at least U.S.$1,100,000,000 and no later than the Ramp-Up Completion Date, it will have purchased Collateral Debt Securities having an aggregate Principal Balance of at least U.S.$1,500,000,000.

The Collateral Debt Securities purchased by the Issuer will, on the Closing Date, have the characteristics and satisfy the criteria set forth herein under "Security for the Notes —Collateral Debt Securities" and "—Eligibility Criteria". Although the Issuer expects that the Collateral Debt Securities purchased by it will, October 4, 2004, satisfy the Collateral Quality Tests and Coverage Tests described herein, there is no assurance that such tests will be satisfied on such date. Failure to satisfy such tests following the Closing Date may result in the repayment or redemption of a portion of the Notes (according to the priority specified in the Priority of Payments). See "Description of the Notes—Mandatory Redemption".

Although the entire aggregate principal amount of the Class A-2 Notes, Class B Notes and Class C Notes will be advanced on the Closing Date, less than the entire aggregate principal amount will be advanced under the Class A-1 Notes on the Closing Date.

During the period (the "Ramp-Up Period") from, and including, the Closing Date to, and including, the earlier of (a) October 4, 2004 and (b) the first date on which the aggregate Principal Balance of the Pledged Collateral Debt Securities plus the aggregate amount of all accrued interest on all Pledged Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date is at least equal to U.S.$1,500,000,000 (the "Ramp-Up Completion Date"), the Class A-1 holders will, subject to the conditions of borrowing set forth in the Class A-1 Note Purchase Agreement, be required to make advances under the Class A-1 Notes on the second day of each month (or if such day is not a Business Day, the next Business Day) upon receipt of a notice from the Issuer as described in the Class A-1 Note Purchase Agreement. The Issuer will then be required to purchase eligible Collateral Debt Securities (for inclusion in the Collateral) having an aggregate Principal Balance of not less than the aggregate Principal Balance necessary for the Issuer to comply with its obligations under the

	Indenture. No investment will be made in Collateral Debt Securities after the Ramp-Up Completion Date.
The Collateral Manager:	Prior to the Closing Date, the Issuer will enter into a Collateral Management Agreement (the "Collateral Management Agreement") with Vanderbilt Capital Advisors, LLC (together with any successor thereto, the "Collateral Manager") pursuant to which the Collateral Manager will perform certain consulting and administrative tasks for the Issuer and the Trustee.
Liquidation of Collateral Debt Securities:	On January 2, 2040, or in connection with any Optional Redemption, Tax Redemption or Auction Call Redemption, the Collateral Debt Securities, Eligible Investments and other collateral will be liquidated. All net proceeds from such liquidation and all available cash will be applied to the payment (in the order of priorities set forth under "Description of the Notes—Priority of Payments") of all (i) fees, (ii) expenses (including the amounts due to the Hedge Counterparties) and (iii) principal of and interest (including the Class B Deferred Interest Amount, the Class C Deferred Interest Amount, Defaulted Interest and interest on Defaulted Interest, if any) and Commitment Fee 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, and the payment of a U.S.$1,000 profit fee to, the owner of the Issuer's ordinary shares will be distributed to the Preference Shareholders in accordance with the Issuer Charter. The Issuer Charter provides that the Issuer will be wound up on the earliest to occur of (i) at any time on or after the date falling one year and two days after the Stated Maturity of the Notes, upon the shareholders' determination to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the shareholders' determination to dissolve the Issuer, (iii) at any time after the Notes are paid in full, upon the shareholders' determination to dissolve the Issuer and (iv) on the date of a winding up pursuant to the provisions of or as contemplated by the Companies Law of the Cayman Islands as then in effect. The Directors of the Issuer currently intend, in the event that the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders following the repayment in full of the Notes, to liquidate all of the Issuer's remaining investments in an orderly manner and distribute the proceeds of such liquidation to the Preference Shareholders.
Plan of Distribution:	The Offered Securities are being offered for sale by Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPFS”) and with respect to the Class B Notes, Class C Notes and Preference Shares, offered also by Bear, Stearns & Co., Inc ("Bear Stearns" and together with MLPFS, in such capacity, the "Initial Purchasers") to investors (the "Original Purchasers") (a) in the United States who are Qualified Institutional Buyers or Accredited Investors and, in each case, Qualified Purchasers in reliance on an exemption from registration under the Securities Act, in each case acquiring the Offered Security for its own account for investment purposes

	and not with a view to the distribution thereof (except in accordance with Rule 144A) and (b) outside the United States who are not U.S. Persons in offshore transactions in reliance on Regulation S and, in each case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Offered Securities offered for sale to a U.S. Person will be offered only to Qualified Purchasers. A "Qualified Purchaser" is (i) a "qualified purchaser" as defined in the Investment Company Act, or (ii) a company beneficially owned exclusively by one or more "qualified purchasers" with respect to the Issuer. See "Plan of Distribution" and "Transfer Restrictions".
Ratings:	It is a condition to the issuance of the Offered Securities that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and "AAA" by Fitch Ratings ("Fitch", and together with Moody's and Standard & Poor's, the "Rating Agencies"), that the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Fitch, that the Class B Notes be rated "A3" by Moody's, " A-" by Standard and Poor's and "A-" by Fitch and that the Class C Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch. The ratings of the Notes address the timely payment of interest and ultimate payment of principal on the Class A-1 Notes and Class A-2 Notes and the ultimate payment of interest and principal on the Class B Notes and Class C Notes. See "Ratings of the Offered Securities".
Minimum Denominations:	The Notes will be issuable in a minimum denomination of U.S. $500,000 for Class A-1 Notes and U.S $250,000 for Class A-2 Notes, Class B Notes and Class C Notes and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof for Class A-1 Notes, Class B Notes and Class C Notes and an integral multiple of U.S.$25,000 for Class A-2 Notes. After issuance, a Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments, or in the case of the Class A-1 Notes, due to Borrowings thereunder. Class B 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 B Deferred Interest Amount. 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 Amount. See "Transfer Restrictions". The Issuer is authorized to issue 21,600 Preference Shares, par value U.S.$0.01 per share. Each Preference Share will have a liquidation preference of U.S.$1,000 per share. The minimum number of Preference Shares to be issued to an investor shall initially be 250 representing an aggregate liquidation preference of U.S$250,000 *provided* that one investor may, with the consent of the Initial Purchasers, purchase less than 250 Preference Shares on the Closing Date and such investors, and any transferees holding the Preference Shares acquired by such investors, will be entitled to transfer all (but not some) of the Preference Shares held by them notwithstanding such minimum trading lot. 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

those investors that, with the consent of the Initial Purchasers, purchased less than 250 Preference Shares on the Closing Date, and any transferees of such investors, will be entitled to transfer all (but not some) of the Preference Shares held by them notwithstanding such minimum trading lot.

Form, Registration and Transfer of the Notes:

The Notes offered in reliance upon Regulation S ("Regulation S Notes") will be represented by one or more global notes ("Regulation S Global Notes") in fully registered form without interest coupons deposited with, and registered in the name of, The Depository Trust Company ("DTC") (or its nominee) and deposited with or on behalf of DTC initially for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Interests in the Regulation S Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants (including Euroclear and Clearstream, Luxembourg).

The Notes offered in the United States pursuant to an exemption from the registration requirements of the Securities Act ("Restricted Notes") will be represented by one or more global notes ("Restricted Global Notes") in fully registered form without interest coupons deposited with the Trustee as custodian for, and registered in the name of, DTC (or its nominee). Interests in Restricted Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants.

The Regulation S Global Notes and the Restricted Global Notes are collectively referred to herein as "Global Notes". Under certain limited circumstances described herein, definitive registered Notes may be issued in exchange for Global Notes.

No Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Restricted Note except (a) to a transferee whom the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) (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, (b) to a transferee that is a Qualified Purchaser, (c) in compliance with the certification (if any) and other requirements set forth in the Indenture and (d) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Regulation S Note unless such transfer is (a) not made to a U.S. Person or for the account or benefit of a U.S. Person and (b) effected in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S, (c) in compliance with the certification (if any) and other requirements set forth in the Indenture and (d) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Note (or any interest therein) may be transferred, and neither the Trustee nor the Note Registrar will recognize any such transfer, unless

(a) such transfer is made in a manner exempt from registration under the Securities Act, (b) such transfer is made in denominations greater than or equal to the minimum denomination therefor, (c) such transfer would not have the effect of requiring either of the Co-Issuers or the Collateral to register as an investment company under the Investment Company Act and (d) the transferee is able to make all applicable certifications and representations required by the relevant transfer certificate attached as an exhibit to the Indenture (if the Indenture requires that a transfer certificate be delivered in connection with such a transfer). Notwithstanding the foregoing, (x) an owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification, *provided* that (1) such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures and (2) any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision to the Note Registrar of written certification from the transferee and transferor in the form provided for in the Indenture and (y) 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. See "Description of the Notes—Form, Denomination, Registration and Transfer" and "Transfer Restrictions".

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 and (B) is not a Qualified Institutional Buyer (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note (or any interest therein) directly from the Co-Issuers or Initial Purchasers), and also 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, (i) 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 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 and the Co-Issuers, in connection with such transfer, that such person is both a Qualified Institutional Buyer and a Qualified Purchaser and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

Form, Registration and Transfer of the Preference Shares:

The Preference Shares offered by the Issuer in the United States will be offered in reliance upon an exemption from the registration requirements of the Securities Act ("Restricted Definitive Preference Shares"). All Restricted Definitive Preference Shares will be represented by certificates in fully registered, definitive form registered in the name of the legal and

beneficial owner thereof (or a nominee acting on behalf of the disclosed legal and beneficial owner thereof).

The Preference Shares offered by the Issuer outside the United States will be offered in reliance upon Regulation S ("Regulation S Preference Shares"). Regulation S Preference Shares will be represented by either (i) one or more global preference shares ("Regulation S Global Preference Shares") in fully registered form without interest coupons deposited with, and registered in the name of, DTC (or its nominee) and deposited with or on behalf of DTC initially for the accounts of Euroclear, and/or Clearstream, Luxembourg 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"). Interests in the Regulation S Global Preference Shares will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants (including Euroclear and Clearstream, Luxembourg). 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.

No Preference Share may be transferred to a U.S. Person or within the United States except (a) to a transferee (i) 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 (ii) pursuant to any other 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) to a transferee that is a Qualified Purchaser or is not a U.S. Person, (c) in the case of a transfer (other than a transfer from the Issuer or an Initial Purchaser), to a transferee that is not a Benefit Plan Investor, (d) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (e) if such transfer is made in compliance with the certification and other requirements set forth in the Preference Share Paying Agency Agreement, and (f) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Preference Share may be transferred to a transferee who is acquiring a Regulation S Preference Shares unless (a) such transfer is (i) not made to a U.S. Person or for the account or benefit of a U.S. Person and (ii) effected in an offshore transaction (within the meaning of Regulation S), (b) such transferee is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (c) in the case of a transfer (other than a transfer from the Issuer or an Initial Purchaser) such transferee is not a

	Benefit Plan Investor, (d) such transfer is made in compliance with the certification, if any, and other requirements set forth in the Preference Share Paying Agency Agreement and (e) such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. In addition, no Reg Y Institution may transfer any Preference Shares held by it to any person other than (a) a person or group of persons under common control that controls the Issuer without reference to any Preference Shares transferred to such person or group by such Reg Y Institution (a "Controlling Party"), (b) a person or persons designated by a Controlling Party, (c) in a widespread public distribution as part of a public offering, (d) in amounts such that, after giving effect thereto, no single transferee and its affiliates will hold more than 2% of the aggregate number of Preference Shares (including all options, warrants and similar rights exercisable or convertible into Preference Shares) or (e) as otherwise permitted by applicable U.S. Federal banking law and regulations. See "Transfer Restrictions".
Listing:	No application will be made to list any Class of Notes or the Preference Shares on any stock exchange.
Governing Law:	The Notes, the Indenture, the Investor Application Forms, the Collateral Management Agreement, the Hedge Agreements, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement, the Class A-1 Note Purchase Agreement and the Purchase Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Issuer Charter and the Administration Agreement will be governed by, and construed in accordance with, the law of the Cayman Islands.
Tax Matters:	See "Income Tax Considerations".
Benefit Plan Investors:	See "ERISA Considerations".

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 Purchasers may from time to time make a market in any Class of Notes or the Preference Shares, the Initial Purchasers are under no obligation to do so. In the event that either 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, 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 Collateral Manager, the Administrator, any Rating Agency, the Share Trustee, the Initial Purchasers, any of their respective affiliates and any other person or entity will be obligated to make payments on the Notes. Consequently, the 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 and Commitment Fee 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. The Preference Shares will be part of the issued share capital of the Issuer and will not be secured pursuant to the lien of the Indenture.

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 and Commitment Fee on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except following a Rating Confirmation Failure and as otherwise described in, and subject to, the Priority of Payments with respect to Interest Proceeds, 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 (or until the Commitment Period Termination Date has occurred), the holders of the most Senior Class of Notes then outstanding will be entitled to determine the remedies to be exercised under the Indenture. 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 in accordance with the Priority of Payments. There can be no assurance that, after payment of principal of and interest and Commitment Fee 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 will be solvent immediately following the date of such payment.

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 Quarterly 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.

Diversion of Interest Proceeds. If the Preference Shareholders shall have received an annualized Dividend Yield of 15% per annum and the Class C Notes have not been redeemed, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay principal of the Class C Notes, until the Class C Notes have been paid in full. See "Description of the Notes—Priority of Payments—Interest Proceeds".

Ongoing Commitments—Class A-1 Notes. Holders of the Class A-1 Notes will be obligated during the Commitment Period, subject to compliance by the Issuer with certain borrowing conditions specified in the Class A-1 Note Purchase Agreement, to advance funds to the Issuer until the aggregate principal amount advanced under the Class A-1 Notes equals the aggregate amount of Commitments to make advances under the Class A-1 Note Purchase Agreement *provided* that (i) the aggregate amount advanced under the Class A-1 Notes may not in any event exceed $1,170,000,000 and (ii) at the time of and immediately after giving effect to such Borrowing, no Event of Default or Default has occurred and is continuing or would result from such Borrowing. See "Description of the Notes—Drawdown—Class A-1 Notes".

Nature of Collateral. The Collateral is subject to credit, liquidity and interest rate risk. In addition, a significant portion of the Collateral will be acquired by the Issuer after the Closing Date, and, accordingly, the financial performance of the Issuer may be affected by the price and availability of Collateral to be purchased. The amount and nature of the Collateral securing the Notes have been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Debt Securities. See "Rating of the Offered Securities". If any deficiencies exceed such assumed levels, however, payment of the Notes and the distribution on the Preference Shares could be adversely affected. To the extent that a default occurs with respect to any Collateral Debt Security securing the Notes 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 generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the Collateral Debt Securities or, with respect to Synthetic Securities, of the obligors on or issuers of the Reference Obligations, 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 expects that the Collateral Debt Securities purchased by it will, on October 4, 2004, satisfy the Collateral Quality Tests and Coverage Tests described herein, there is no assurance that such tests will be satisfied on such

date. Failure to satisfy such tests following the Closing Date may result in the repayment or redemption of a portion of the Notes (according to the priority specified in the Priority of Payments). See "Description of the Notes—Mandatory Redemption".

The Issuer will not be able to sell Collateral Debt Securities (other than Defaulted Securities, Written Down Securities and Credit Risk Securities) prior to the maturity or early redemption thereof except in connection with an Optional Redemption, Auction Call Redemption, a Tax Redemption or the winding up of the Issuer following the payment in full of the Notes. See "Disposition of Collateral Debt Securities" herein.

Asset-Backed Securities. Most of the Collateral Debt Securities 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 static 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 static 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. See "Security for the Notes—Asset-Backed Securities".

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. 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.

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. 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 transactions 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. 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 be substantially on the holders of such subordinate security. See "Security for the Notes—Asset-Backed Securities" below.

Synthetic Securities. As described above, a portion of the Collateral Debt Securities may consist of Synthetic Securities the Reference Obligations of which are Asset-Backed Securities or a specified pool of financial assets, either static or revolving, that by their terms convert into cash within a finite period of time. 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(s) on the Reference Obligation(s). The Issuer generally will have no right directly to enforce compliance by the Reference Obligor(s) with the terms of either the Reference Obligation(s) or any rights of set-off against the Reference Obligor(s), nor will the Issuer generally have any

voting or other consensual rights of ownership with respect to the Reference Obligation(s). The Issuer will not directly benefit from any collateral supporting the Reference Obligation(s) and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation(s). 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(s). Consequently, the Issuer will be subject to the credit risk of the counterparty as well as that of the Reference Obligor(s). 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(s). One or more affiliates of the Initial Purchasers may act as counterparty with respect to all or a portion of the Synthetic Securities, which relationship may create certain conflicts of interest. Furthermore, such affiliates of the Initial Purchasers, may in their role as counterparty to all or a portion of the Synthetic Securities, manage a pool of Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. See "—Certain Conflicts of Interest—Conflicts of Interest Involving the Initial Purchasers".

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 Issuer may invest in 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.

Unspecified Use of Proceeds. On the Closing Date, proceeds from the issuance and sale of the Notes will be used to purchase Collateral Debt Securities having a par amount of not less than U.S.$400,000,000. The remainder of the proceeds from the issuance and sale of the Notes (including amounts advanced in respect of the Class A-1 Notes after the Closing Date) will be invested in Collateral Debt Securities that will not have been identified by the Collateral Manager on the Closing Date. Purchasers of the Notes and the Preference Shares will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Collateral Manager (on behalf of the Issuer) and, accordingly, will be dependent upon the judgment and ability of the Collateral Manager in investing and managing the proceeds of the Notes and in identifying investments over time. No assurance can be given that the Collateral Manager (on behalf of the Issuer) will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Issuer will be achieved.

Rating Confirmation Failure; Mandatory Redemption. The Issuer will notify the Trustee, each Rating Agency and each Hedge Counterparty within seven Business Days after the Ramp-Up Completion Date (such notification, a "Ramp-Up Notice"). The Issuer will request that each Rating Agency confirm to the Issuer 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 by the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), on the first Quarterly Distribution Date following the Ramp-Up Completion Date, the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Notes in full, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Notes in full, Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment, of principal of, at the option of the Collateral Manager on behalf of the Issuer (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments". The notional amount of the Interest Rate Hedge Agreement will be reduced in connection with a redemption of Notes on any Quarterly Distribution Date by reason of any Rating Confirmation Failure by an amount proportionate to the principal amount of Notes so redeemed.

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 the Collateral Debt Securities will be used by the Issuer only as a preliminary indicator of investment quality.

International Investing. A limited portion of the Collateral Debt Securities may consist of obligations of issuers organized in a Special Purpose Vehicle Jurisdiction or obligations of a Qualifying Foreign Obligor. 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 Purchasers and their respective affiliates may result in certain conflicts of interest.

Conflicts of Interest Involving the Initial Purchasers. The activities of the Initial Purchasers and their respective affiliates may result in certain conflicts of interest. Certain of the Collateral Debt Securities acquired by the Issuer on or prior to the Closing Date or after the Closing Date may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which either of the Initial Purchasers or their respective affiliates has acted as underwriter, agent, placement agent, originator or dealer or for which an affiliate of either of the Initial Purchasers has acted as lender, originator or provided other commercial or investment banking services. Either of the Initial Purchasers or one or more of their respective affiliates may also act as counterparty and/or originator with respect to one or more Synthetic Securities. Furthermore, such affiliates of either of the Initial Purchasers may in their role as counterparty to all or a portion of the Synthetic Securities manage a pool of Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. In addition, an affiliate of either of the Initial Purchasers may act as a Hedge Counterparty under one or more Hedge Agreements.

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.

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.

In the selection of brokers and dealers, the Collateral Manager shall seek to obtain the best prices and execution for all orders placed with respect to 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).

Purchase of Collateral Debt Securities. All of the Collateral Debt Securities purchased by the Issuer on the Closing Date will be purchased from either a portfolio of Collateral Debt Securities selected by the Collateral Manager and held by Merrill Lynch International ("MLI"), an affiliate of MLPFS, pursuant to a warehousing agreement between MLI and the Collateral Manager or a portfolio of Collateral Debt Securities selected by the Collateral Manager and held by Bear Stearns, pursuant to an engagement letter between Bear Stearns and the Collateral Manager. Some of the Collateral Debt Securities subject to such warehousing agreement may have been originally acquired by MLPFS or Bear Stearns 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 Bear Stearns or MLI of such Collateral Debt Securities and not the Closing Date.

Ramp-Up Period Purchases The amount of Collateral Debt Securities purchased on the Closing Date and the amount and timing of the purchase of additional Collateral Debt Securities prior to the Ramp-Up Completion Date, will affect the return to holders of, and cash flows available to make payments on, the Offered Securities. Reduced liquidity and lower volumes of trading in certain Collateral Debt Securities, in addition to restrictions on investment contained in the Eligibility Criteria, could result in periods during which the Issuer is unable to be fully invested in Collateral Debt Securities. During any such period, excess cash is expected to be invested in Eligible Investments. Because of the short term nature and credit quality of Eligible Investments, the interest rates payable on Eligible Investments tend to be significantly lower than the

rates the Issuer would expect to earn on Collateral Debt Securities. The longer the period before investment or reinvestment in Collateral Debt Securities, the greater the adverse impact may be on aggregate Interest Proceeds collected and distributed by the Issuer, resulting in a lower yield than could have been obtained if the net proceeds associated with the offering of the Offered Securities (the "Offering") were immediately invested and remained invested at all times.

In addition, the timing of the purchase of Collateral Debt Securities prior to the Ramp-Up Completion Date, the amount of any purchased accrued interest, the timing of additional Borrowings under Class A-1 Notes, the scheduled interest payment dates of the Collateral Debt Securities and the amount of the net proceeds associated with the Offering invested in lower-yielding Eligible Investments until reinvested in Collateral Debt Securities, may have a material impact on the amount of Interest Proceeds collected during the first Due Period, which could adversely affect interest payments on Notes and distributions on Preference Shares.

Purchase During the Ramp-Up Period. The Issuer will use its best efforts to purchase or enter into binding agreements to purchase on or before June 2, 2004 being referred to herein as the "First Ramp-Up Test Date", Collateral Debt Securities having an aggregate Principal Balance, together with the aggregate amount of all accrued interest on all Pledged Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date of not less than U.S.$650,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the First Ramp-Up Test Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the First Ramp-Up Test Date, (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security and (iii) funds are available from Borrowings under the Class A-1 Notes) *provided* that if any 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 or the Weighted Average Spread Test fails to be satisfied on the First Ramp-Up Test Date, the Issuer will not be permitted to (x) request any additional Borrowings under the Class A-1 Notes or (y) purchase additional Collateral Debt Securities (except to the extent that the Issuer has already entered into binding agreements to purchase Collateral Debt Securities) until the earliest to occur of the following: (1) the Trustee confirms to each Rating Agency and the Issuer that the Collateral Manager on behalf of the Issuer is able to demonstrate compliance with such applicable Collateral Quality Tests (and for such purposes the Collateral Manager on behalf of the Issuer may designate any Business Day to be a Measurement Date), (2) a period of 10 Business Days has elapsed after the Trustee gives notice (as requested by the Collateral Manager as provided below) of the failure to satisfy such Collateral Quality Tests to each Noteholder in accordance with the Indenture and the Trustee or the Issuer has not received direction from the requisite Noteholders for a Noteholder Termination or (3) the Trustee confirms to each Rating Agency and the Issuer that the Collateral Manager has identified to the Trustee Collateral Debt Securities for purchase each of which will meet the Eligibility Criteria and, following their purchase by the Issuer, will enable each 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 and the Weighted Average Spread Test to be satisfied. As used herein, "Noteholder Termination" means Holders of more than 66-2/3% of the Aggregate Outstanding Amount of all Classes of Notes elect, by an act of Noteholders under the Indenture, to prevent the Issuer from continuing to borrow under the Class A-1 Note Purchase Agreement and purchase Collateral Debt Securities following a failure to satisfy one or more of the Collateral Quality Tests measured as of the First Ramp-Up Test Date or the Second Ramp-Up Test Date under the Indenture.

The Issuer will use its best efforts to purchase or enter into binding agreements to purchase on or before August 2, 2004 after the Closing Date being referred to herein as the "Second Ramp-Up Test Date", Collateral Debt Securities having an aggregate Principal Balance, together with the aggregate amount of all accrued interest on all Pledged Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date of not less than U.S.$1,100,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Second Ramp-Up Test Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Second Ramp-Up Test Date, (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security and (iii) funds are available from Borrowings under the Class A-1 Notes) *provided* that if any 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 or the Weighted Average Spread Test fails to be satisfied on the Second Ramp-Up Test Date, the Issuer will not be permitted to (x) request any additional

Borrowings under the Class A-1 Notes or (y) purchase additional Collateral Debt Securities (except to the extent that the Issuer has already entered into binding agreements to purchase Collateral Debt Securities) until the earliest to occur of the following: (1) the Trustee confirms to each Rating Agency and the Issuer that the Issuer is able to demonstrate compliance with such applicable Collateral Quality Tests (and for such purposes the Collateral Manager on behalf of the Issuer may designate any Business Day to be a Measurement Date), (2) a period of 10 Business Days has elapsed after the Trustee gives notice (as requested by the Collateral Manager as provided below) of the failure to satisfy such Collateral Quality Tests to each Noteholder in accordance with the Indenture and the Trustee or the Issuer has not received direction from the requisite Noteholders for a Noteholder Termination or (3) the Trustee confirms to each Rating Agency and the Issuer that the Collateral Manager has identified to the Trustee specific Collateral Debt Securities for purchase each of which will meet the Eligibility Criteria and, following their purchase by the Issuer, will enable each of the Diversity Test, the Moody's Maximum Rating Distribution Test, the Moody's Minimum Weighted Average Recovery Rate Test, the Moody's Minimum, the Weighted Average Coupon Test and the Weighted Average Spread Test to be satisfied.

Within three Business Days of receipt of any request from the Collateral Manager to notify the Noteholders of a failure to satisfy any of the applicable Collateral Quality Tests, the Trustee will provide such notice to each Noteholder in accordance with the Indenture.

The Issuer will use its best efforts to purchase or enter into binding agreements to purchase on or before October 4, 2004 being referred to herein as the "Ramp-Up Completion Date", Collateral Debt Securities having an aggregate Principal Balance, together with the aggregate amount of all accrued interest on all Pledged Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date of not less than U.S.$1,500,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date, (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security and (iii) funds are available from Borrowings under the Class A-1 Notes).

Although the entire aggregate principal amount of the Class A-2 Notes, Class B Notes and Class C Notes will be advanced on the Closing Date, less than the entire aggregate principal amount of the Class A-1 Notes will be advanced on the Closing Date. During the period (the "Ramp-Up Period") from, and including, the Closing Date to, and including, the Ramp-Up Completion Date, the Issuer will borrow from the holders of the Class A-1 Notes on and subject to the terms and conditions in the Class A-1 Note Purchase Agreement. The Issuer will then be required to purchase eligible Collateral Debt Securities (for inclusion in the Collateral) having an aggregate Principal Balance of not less than the aggregate Principal Balance necessary for the Issuer to comply with its obligations under the Indenture. The purchase price payable by the Issuer for each such Collateral Debt Security will not exceed the fair market price for such security as of the date that the Issuer unconditionally commits to purchase such security.

Whether or not the Issuer has succeeded in acquiring Collateral Debt Securities having an aggregate Principal Balance of U.S.$1,500,000,000 by the Ramp-Up Completion Date, all Uninvested Proceeds remaining on the first Determination Date following the Ramp-Up Completion Date are required to be applied as Principal Proceeds on the first Quarterly 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 Quarterly Distribution Date following the Ramp-Up Completion Date in accordance with the Priority of Payments. After the Ramp-Up Period, the Issuer will not be entitled to purchase any additional Collateral Debt Securities.

True Sale. If MLI were to become the subject of a case or proceeding under the United States Bankruptcy Code, another applicable insolvency law or a stockbroker liquidation under the Securities Investor Protection Act of 1970, the trustee in bankruptcy, other liquidator or the Securities Investor Protection Corporation could assert that Collateral Debt Securities acquired from MLI are property of the insolvency estate of MLI. Property that MLI has pledged or assigned, or in which MLI has granted a security interest, as collateral security for the payment or performance of an obligation, would be property of the estate of MLI. Property that MLI has sold or absolutely assigned and transferred to another party, however, is not property of the estate of MLI. The Issuer does not expect that the purchase by the Issuer of Collateral Debt Securities, under the circumstances contemplated by this Offering Circular, will 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).

If Bear Stearns were to become the subject of a case or proceeding under the United States Bankruptcy Code, another applicable insolvency law or a stockbroker liquidation under the Securities Investor Protection Act of 1970, the trustee in bankruptcy, other liquidator or the Securities Investor Protection Corporation could assert that Collateral Debt Securities acquired from Bear Stearns are property of the insolvency estate of Bear Stearns. Property that Bear Stearns has pledged or assigned, or in which Bear Stearns has granted a security interest, as collateral security for the payment or performance of an obligation, would be property of the estate of Bear Stearns. Property that Bear Stearns has sold or absolutely assigned and transferred to another party, however, is not property of the estate of Bear Stearns. The Issuer does not expect that the purchase by the Issuer of Collateral Debt Securities, under the circumstances contemplated by this Offering Circular, will 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).

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, differences in the actual allocation of the Collateral Debt Securities among asset categories from those assumed, the timing of acquisitions of the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities (particularly during ramp up), defaults under Collateral Debt Securities and the effectiveness of the Interest Rate Hedge Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Trustee, the Collateral Manager, the Initial Purchasers 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 Trustee, the Collateral Manager, the Initial Purchasers, 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 Purchasers, 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. On April 23, 2002, the Treasury Department published regulations pursuant to the USA PATRIOT Act that exempted "investment companies" such as the Issuer from the anti-money laundering requirements set out thereunder for a period of no longer than six months. On September 18, 2002, the Treasury Department 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. As part of the rulemaking process, the Treasury Department is considering the appropriate definition of, and exceptions to, the term "unregistered investment company". The Treasury Department may, in its final rule, define such term in such a way as to include the Issuer. On October 25, 2002, the Treasury Department extended its temporary deferral of the applicability of such regulations to those certain "unregistered investment companies" pending the issuance of final rules relating to the anti-money laundering sections of the USA PATRIOT Act. In addition, in April 2003, the Treasury Department 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 of the Co-Issuers has been registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to 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 sale of the Notes and Preference Shares by the Initial Purchasers, that neither the Issuer nor the Co-Issuer 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 by the Initial Purchasers in accordance with the terms of 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 non-enforcement 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 (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note or interest therein directly from the Co-Issuers or Initial Purchasers) and also 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 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 and the Co-Issuers, 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 Paying Agency Agreement provides 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 (unless such beneficial owner is an Accredited Investor that purchased such Restricted Preference Share in connection with the initial distribution thereof) 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 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 and the Issuer, 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 either Coverage Test 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 Test(s) to certain minimum required levels, to repay principal of one or more Classes of Notes. See "Description of the Notes—Mandatory Redemption".

So long as a Senior Class of Notes are outstanding, 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 the Subordinate Class of Notes, which could adversely impact the returns of such holders. In addition, if the Preference Shareholders have received distributions on the Preference Shares sufficient to achieve an annualized Dividend Yield of 15% per annum, any excess amount of Interest Proceeds will be applied to pay principal of the Class C Notes until such Class of Notes has been paid in full. See "Description of the Notes—Principal," "—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds".

If the Issuer is unable to obtain a Rating Confirmation from each relevant Rating Agency by the first Determination Date following the Ramp-Up Completion Date, Uninvested Proceeds and, after application of Uninvested Proceeds, Interest Proceeds and, after application of Interest Proceeds, Principal Proceeds, will be used for the payment of principal of, at the option of the Collateral Manager on behalf of the Issuer (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation. The foregoing means that the holders of all Classes of Notes may be treated differently than according to a specified priority.

Auction Call Redemption. In addition, if the Notes have not been redeemed in full prior to the Quarterly Distribution Date occurring in October 2012, then an auction of the Collateral Debt Securities will be conducted and, *provided* that certain conditions are satisfied, the Collateral Debt Securities will be sold and the Notes will be redeemed (in whole, but not in part) on such Quarterly Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Quarterly 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 any Auction Call Redemption.

Optional Redemption. Subject to satisfaction of certain conditions, 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 no such optional redemption may occur prior to the Quarterly Distribution Date occurring on October 2, 2008.

Tax Redemption. Subject to satisfaction of certain conditions, upon the occurrence of a Tax Event, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Quarterly 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 Quarterly Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Preference Shareholders. 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; Fixed and Floating. The Notes bear interest at a rate based on LIBOR as determined on the relevant LIBOR Determination Date. The Collateral Debt Securities 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 the Collateral Debt Securities. 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 Quarterly 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). To mitigate a portion of such interest rate mismatch, the Issuer will on the Closing Date enter into the Interest Rate Hedge Agreement. However, there can be no assurance that the Collateral Debt Securities and Eligible Investments, together with the Interest Rate Hedge Agreement, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes. Moreover, the benefits of the Interest Rate Hedge Agreement may not be achieved in the event of the early termination of the Interest Rate Hedge Agreement, including termination upon the failure of the related 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 Issuer may reduce the notional amount of the Interest Rate Hedge Agreement. In the event of any such reduction, the 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 and the characteristics of the 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 the Collateral Debt Securities and any sales of 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 initial purchaser of Preference Shares will be required to covenant in an Investor Application Form (and each transferee of Preference Shares will be required to covenant in a transfer certificate) 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.

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. Payments on the Collateral Debt Securities, Eligible Investments and the

Hedge Agreements, 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 held by the Issuer 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, interest on and Commitment Fee on the Notes and make distributions on the Preference Shares.

No Gross Up. The Issuer expects that payments of principal and interest by the Issuer on the Notes, and distributions of dividends and return of capital on the Preference Shares, 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 or distributions is required by law in any jurisdiction, neither of the Co-Issuers shall be under any obligation to make any additional payments to the holders of any Notes or Preference Shares in respect of such withholding or deduction.

Tax Treatment of Holders of Preference Shares and Class C Notes. 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 subjected to different tax treatments.

The Indenture requires that holders agree to treat the Class C Notes as debt for U.S. Federal income tax purposes. The treatment of the Class C Notes as debt of the Issuer could be challenged by the U.S. Internal Revenue Service. If 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 the consequences of investing in the Preference Shares. 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)). There can be no assurance that ownership of Preference Shares by Benefit Plan Investors will always remain below the 25% threshold established under the Plan Asset Regulation. The Issuer intends to restrict transfers of the Preference Shares so that (other than a transfer from the Issuer or an Initial Purchaser), 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 Paying Agency Agreement to the effect that such owner will not transfer such Preference Shares except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement, 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.

Each Original Purchaser 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 (a) it is not (and, for so long as it holds any Note, 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, an entity that 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 subject to any Similar Law or (b) its acquisition and holding of such Note will not constitute a non-exempt prohibited transaction in violation of 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 Similar Law). 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, and each such purchaser or transferee 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 Notes and Preference Shares.

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 entering into of arrangements with respect thereto. The Issuer will have no significant assets other than the Collateral Debt Securities, Equity Securities, Eligible Investments and the Accounts and its rights under the Hedge Agreements 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 (the "Noteholders"), the Collateral Manager and the Hedge Counterparties. The Issuer will not engage in any business activity other than (i) the issuance of the Notes and the Preference Shares, (ii) the acquisition and disposition of, and investment and reinvestment in, Collateral Debt Securities, Equity Securities and Eligible Investments, (iii) the entering into, and the performance of its obligations under the Indenture, the Notes, the Class A-1 Note Purchase Agreement, the Purchase Agreement, the Investor Application Forms, the Account Control Agreement, the Preference Share Paying Agency Agreement, the Hedge Agreements, the Collateral Assignment of the Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Class A-2 Agency and Amending Agreement, the Broker Dealer Agreement, the Class A-2 Account Control Agreement, the Master Forward Sale Agreement and the Reimbursement Agreement, (iv) the pledge of the Collateral as security for its obligations in respect of (inter alia) the Notes, (v) the ownership and management of the Co-Issuer and (vi) certain activities conducted in connection with the payment of amounts in respect of the Offered Securities, the management of the Collateral and other incidental activities. 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.

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 135 South LaSalle Street, Suite 1625, Chicago, Illinois 60603, Attention: CDO Trust Services Group – Lakeside CDO II, Ltd.

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 following a Rating Confirmation Failure and as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Quarterly Distribution Date is as follows: *first*, Class A-1 Notes including payment of the Commitment Fee, *second*, Class A-2 Notes, *third*, Class B Notes and *fourth*, Class C Notes with 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 and Commitment Fee on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except following a Rating Confirmation Failure and as otherwise described herein, and subject to the Priority of Payments with respect to Interest Proceeds, no payment of principal of any Class of Notes will be made until all principal of, and accrued and unpaid interest and Commitment Fee 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 subject in the case of any Synthetic Security Counterparty Account to the security interest of the related Synthetic Security Counterparty in such Account.

Payments of principal of and interest and Commitment Fee 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.

Drawdown

Class A-2 Notes, Class B Notes, Class C Notes and Preference Shares

All of the Class A-2 Notes, Class B Notes, Class C Notes and Preference Shares will be issued on the Closing Date. The entire principal amount of the Class A-2 Notes, the Class B Notes and the Class C Notes will be advanced on the Closing Date.

Class A-1 Notes

All of the Class A-1 Notes will be issued on the Closing Date. U.S.$110,700,000 of the principal of the Class A-1 Notes will be advanced on the Closing Date. Pursuant to the Class A-1 Note Purchase Agreement dated March 31, 2004 between the Issuer, the Co-Issuer, the Trustee and the holders from time to time of the Class A-1 Notes, subject to compliance with the conditions set forth therein, the Co-Issuers may request (and the holders of the Class A-1 Notes (or any Liquidity Provider with respect to such holders) will be obligated to make) monthly advances under the Class A-1 Notes until the aggregate principal amount advanced under the Class A-1 Notes equals U.S.$1,170,000,000 during the period (the "Commitment Period") starting on and including the Closing Date and ending on and excluding the date (the "Commitment Period Termination Date") that is the earliest of (i) the first Business Day after the Ramp-Up Completion Date; (ii) the redemption of the Class A-1 Notes in full; (iii) the first date on which the Aggregate Undrawn Amount of the Class A-1

Notes have been reduced to zero; (iv) the date of the occurrence of an Event of Default specified in Section 5.1(d), 5.1(f) or 5.1(g) of the Indenture; or (v) the sale, foreclosure or other disposition of the Collateral under the Indenture. Any reference herein to "Commitments" in respect of any Class A-1 Notes at any time shall mean the maximum aggregate principal amount of advances (whether at the time funded or unfunded) that the holder (or any Liquidity Provider with respect to such holder) of such Class A-1 Note is obligated from time to time under the Class A-1 Note Purchase Agreement to make to the Issuer.

During the Commitment Period, the Issuers (at the direction of the Collateral Manager) may borrow amounts under the Class A-1 Notes (a "Borrowing" and the date of any such Borrowing, a "Borrowing Date"), *provided* that (i) the aggregate amount of Borrowings under the Class A-1 Notes may not in any event exceed the aggregate amount of Commitments in respect of the Class A-1 Notes and (ii) at the time of and immediately after giving effect to such Borrowing, no Event of Default or Default has occurred and is continuing or would result from such Borrowing. Except as the holders of the Class A-1 Notes shall otherwise agree, Borrowings shall be made only on the second day of each month (or if such day is not a Business Day, the next Business Day) or as otherwise provided for in the Class A-1 Note Purchase Agreement.

The aggregate principal amount of any Borrowing in respect of the Class A-1 Notes (taken as a whole) will be an integral multiple of U.S.$1,000 and at least U.S.$5,000,000. The Issuer will make each Borrowing *pro rata* according to the unused portion of the Commitments in respect of the Class A-1 Notes. On or prior to the fifth Business Day immediately preceding each Borrowing Date, the Collateral Manager will cause the Issuer to provide notice to each Class A-1 Noteholder (with a copy to the Trustee) of the Issuer's intention to effect a Borrowing.

On the Commitment Period Termination Date, the aggregate undrawn amount of the Class A-1 Notes, if any, will be reduced to zero.

Prior to the Commitment Period Termination Date, each holder of Class A-1 Notes will be required to satisfy the Rating Criteria. If any holder of Class A-1 Notes shall at any time prior to the Commitment Period Termination Date fail to satisfy the Rating Criteria specified in the Class A-1 Note Purchase Agreement, the Issuer will have the right under the Class A-1 Note Purchase Agreement to, and will be obligated under the Indenture to, replace such holder with another entity that meets such ratings requirement (by requiring the replaced holder to transfer all of its rights and obligations in respect of the Class A-1 Notes to the transferee entity). The "Rating Criteria" will be satisfied on any date with respect to any holder of Class A-1 Notes if (a) the short-term debt, deposit or similar obligations of such purchaser are on such date rated "P-1" by Moody's and "A-1+" by Standard & Poor's or (b) such holder is then entitled under a Liquidity Facility to borrow loans from, or sell Class A-1 Notes to, one or more financial institutions (each, a "Liquidity Provider") so long as the short-term debt, deposit or similar obligations of each such Liquidity Provider are on such date rated "P-1" by Moody's and at least "A-1" by Standard & Poor's. A "Liquidity Facility" is a liquidity agreement providing for the several commitments of the Liquidity Providers party thereto to make loans to, or purchase Class A-1 Notes from, such holder in an aggregate principal amount at any one time outstanding equal to or greater than the Commitment of such purchaser. The purchase of Class A-1 Notes (whether in connection with the initial placement or in a subsequent transfer) by any purchaser who does not satisfy the Rating Criteria set forth in clause (a) of the definition thereof at the time of such purchase but who is then entitled to the benefit of a Liquidity Facility described in clause (b) of such definition will be subject to the requirement that each Rating Agency shall have confirmed that the acquisition by such purchaser will not result in a downgrade or withdrawal of its then-current rating, if any, of any Class of Notes. Pursuant to the Class A-1 Note Purchase Agreement, any purchaser of Class A-1 Notes that is entitled under a Liquidity Facility to borrow loans from Liquidity Providers may delegate to the related Liquidity Providers, and such Liquidity Providers may severally agree to each perform their ratable share (determined in accordance with their respective commitments under the relevant Liquidity Facility) of, all of the purchaser's obligations under the Class A-1 Note Purchase Agreement in respect of the Class A-1 Notes held by such purchaser.

Interest

The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.38%. The Class A-2 Notes will bear interest, and certain third parties will be entitled to compensation, at an aggregate floating rate per annum not to exceed LIBOR plus 1.0375%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.65%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.25%. 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 (or with respect to any Borrowing under the Class A-1 Notes after the Closing Date, from the date of such Borrowing). 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 quarterly in arrears on each January 2, April 2, July 2 and October 2, commencing October 2, 2004 (each a "Quarterly Distribution Date"), *provided* that (i) the final Quarterly Distribution Date with respect to the Notes shall be January 2, 2040, and (ii) if any such date is not a Business Day, the relevant Quarterly Distribution Date will be the next succeeding Business Day.

Notwithstanding the foregoing, the Issuer will enter into a Basis Swap in order to finance the periodic payment of interest on the Class A-2 Notes on dates other than each Quarterly Distribution Date, all as described in the Class A-2 Notes Supplement.

So long as any Notes are outstanding, if either Coverage Test is not satisfied on any Determination Date related to any Quarterly Distribution Date, then Interest Proceeds that would otherwise be distributed to the Preference Shareholders will be used instead to redeem, *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 Coverage Test is satisfied. See "Description of the Notes—Priority of Payments".

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 or (when used with respect to the Class A-1 Notes and the calculation of the Commitment Fee Amount) Commitment Fee which is not punctually paid or duly provided for on the applicable Quarterly Distribution Date or at Stated Maturity and which remains unpaid. The Class B Deferred Interest Amount and the Class C Deferred Interest Amount shall 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 (or, in the case of a Class A-1 Note, the Borrowing Date of the relevant Borrowing) to, but excluding, the first Quarterly Distribution Date, and (ii) thereafter, the period from, and including, the Quarterly Distribution Date immediately following the last day of the immediately preceding Interest Period to, but excluding, the next succeeding Quarterly 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 the Designated Maturity 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 one, two, three or six 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, (a) with respect to Class A-1 Notes (i) for the first Interest Period for a Borrowing made under the Class A-1 Notes, the number of calendar days from, and including, the relevant Borrowing Date to, but excluding, the Quarterly Distribution Date immediately following the Interest Period in which such Borrowing is made, (ii) for each Interest Period after the first Interest Period for a Borrowing made under the Class A-1 Notes (other than the Interest Period ending January 2, 2040), three months and (iii) for the Interest Period ending January 2, 2040, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Quarterly Distribution Date and (b) with respect to Class A-2 Notes, Class B Notes and Class C Notes (i) for the first Interest Period, the number of calendar days from, and including the Closing Date to, but excluding, the first Quarterly Distribution Date, (ii) for each Interest Period after the first Interest Period (other than the Interest Period ending January 2, 2040), three months and (iii) for the Interest Period ending January 2, 2040, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Quarterly 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 (or until the Commitment Period Termination Date has occurred), 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. (New York 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 Quarterly Distribution Date and will communicate such rates and amounts and the related Quarterly Distribution Date to the Co-Issuers, the Trustee, each Hedge Counterparty, each Paying Agent (other than the Preference Share Paying Agent), the Depositary, Euroclear and Clearstream, Luxembourg.

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.

Commitment Fee on Class A-1 Notes

A commitment fee ("Commitment Fee") will accrue on the undrawn principal amount of the Class A-1 Notes for each day from and including the Closing Date to but excluding the date the Commitment Period Termination Date, at a rate per annum equal to 0.05%. Commitment Fee will be payable quarterly in arrears on each Quarterly Distribution Date and will rank *pari passu* with the payment of interest on the Class A-1 Notes. Commitment Fee will be computed on the basis of a 360-day year and the actual number of days elapsed. No Class of Notes other than the Class A-1 Notes will be entitled to a commitment fee.

Principal

The Stated Maturity of the Notes is January 2, 2040. 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". 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 Quarterly Distribution Date among the Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment.

Payments of principal may be made on the Notes only in the following circumstances (subject, in each case, to the Priority of Payments): (a) in connection with an Optional Redemption, Tax Redemption or an Auction Call Redemption, (b) upon the failure of the Issuer to meet either Coverage Test, (c) in the event of a Rating Confirmation Failure, (d) if the Preference Shareholders have received an annualized Dividend Yield of 15% per annum, from Interest Proceeds to the payment of principal of the Class C Notes as provided in paragraph (16) under the heading "Description of the Notes—Priority of Payments—Interest Proceeds", and (e) on each Quarterly Distribution Date, from Principal Proceeds in

accordance with the Priority of Payments to pay principal of each Class of Notes, with principal of Class A-1 Notes being paid prior to the payment of principal of Class A-2 Notes, the principal of Class A-2 Notes being paid prior to the payment of the principal of Class B Notes and the principal of Class B Notes being paid prior to the payment of the principal of Class C Notes in the circumstances listed in clauses (a), (b) and (e) above and with principal of Class C Notes being paid prior to the payment of principal of Class B Notes, Class A-2 Notes and Class A-1 Notes in the circumstances listed in clause (d) above and with principal of the Notes being paid, at the option of the Collateral Manager on behalf of the Issuer on (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation in the circumstances listed in clause (c) above, in each case as described in "Description of the Notes—Priority of Payments—Principal Proceeds", "—Priority of Payments—Interest Proceeds", "— Optional Redemption and Tax Redemption" "—Mandatory Redemption" and "—Auction Call Redemption".

Mandatory Redemption

Each Class of Notes shall, on any Quarterly Distribution Date, be subject to mandatory redemption in the event that either Coverage Test is not satisfied on the related Determination Date. Any such redemption will be effected from Interest Proceeds to the extent necessary to cause each Coverage Test to be satisfied. Any such redemption will be applied to each outstanding Class of Notes in accordance with its relative seniority and will otherwise be effected as described below under "—Priority of Payments".

In addition, the Issuer will notify each Rating Agency in writing (a "Ramp-Up Notice") of the occurrence of the date that is the earlier of (a) October 4, 2004 and (b) the first day on which the aggregate Principal Balance of the Collateral Debt Securities held by the Issuer, together with the aggregate amount of all accrued interest on all Pledged Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds together with the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account together with the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date, is at least equal to U.S.$1,500,000,000 (such date, the "Ramp-Up Completion Date") within seven Business Days after the Ramp-Up Completion Date occurs. The Issuer will request that each Rating Agency confirm to the Issuer 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 by the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), on the first Quarterly Distribution Date following the Ramp-Up Completion Date the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Notes in full, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Notes in full, Principal Proceeds, in each case in accordance with the Priority of Payments, to the payment of principal of, at the option of the Collateral Manager on behalf of the Issuer (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation.

If the Preference Shareholders have received an annualized Dividend Yield of 15% per annum and the Class C Notes have not been redeemed, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay principal of the Class C Notes, until the Class C Notes have been paid in full.

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 Quarterly Distribution Date occurring in October 2012, the Notes have not been redeemed in full. The Auction shall be conducted not later than ten Business Days prior to (1) the Quarterly Distribution Date occurring in October 2012 and (2) if the Notes are not redeemed in full on the prior Quarterly Distribution Date, each Quarterly Distribution Date thereafter until the Notes

have been redeemed in full (each such date, an "Auction Date"). Any of the Preference Shareholders, the Collateral Manager, 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 from at least two qualified bidders identified by the Trustee in consultation with the Collateral Manager (including the winning Qualified Bidder) for (x) the purchase of the Collateral Debt Securities or (y) the purchase of each subpool;

(iii) the Trustee has determined that the highest auction price would result in sale proceeds from all of the Collateral Debt Securities (or the related subpools constituting all of the Collateral Debt Securities) which, together with the balance of all Eligible Investments and cash in the Accounts (other than in any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account or any Synthetic Security Counterparty Account) would be at least equal to the Total Senior Redemption Amount; and

(iv) the bidder(s) who offered the highest auction price for the Collateral Debt Securities (or the related subpools) enter(s) into a written agreement with the Issuer (which the Issuer shall execute if the conditions set forth in (i) through (iii) above are satisfied, which execution shall constitute certification by the Issuer that such conditions have been satisfied) that obligates the highest bidder (or the highest bidder for each subpool) to purchase all of the Collateral Debt Securities (or the relevant subpool) with the closing of such purchase (and full payment in cash to the Trustee) to occur 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 (x) redeem the Notes in whole but not in part at the applicable Redemption Price (exclusive of installments of principal and interest and Commitment Fee due on or prior to such date, provided payment of which shall have been made or duly provided for, to the Holders of the Notes as provided in the Indenture), (y) pay the remaining portion of the Total Senior Redemption Amount in accordance with the Priority of Payments and (z) make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount equal to any portion of such purchase price remaining after the application contemplated by the foregoing clauses (x) and (y) (but at least equal to the Preference Share Redemption Date Amount), in each case on the Quarterly 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 Quarterly 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 (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 on any Quarterly Distribution Date, *provided* that no such Optional Redemption may be effected prior to the Quarterly Distribution Date occurring on October 2, 2008.

In addition, upon the occurrence of a Tax Event, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Quarterly 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 Quarterly Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Preference Shareholders.

No Optional Redemption or Tax Redemption may be effected, however, unless proceeds from the sale of Collateral Debt Securities, together with all cash and 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, the Semi-Annual Interest Reserve Account and the Payment Account, at least equal the amount sufficient to pay (in accordance with the Priority of Payments) the Total Senior Redemption Amount. The "Total Senior Redemption Amount" means, as of any Quarterly Distribution Date, the aggregate amount required (a) to make all payments of accrued and unpaid amounts under the Indenture as of such date (including any termination payments payable by the Issuer pursuant to the Hedge Agreements and any fees and expenses incurred by the Trustee in connection with the sale of Collateral Debt Securities), (b) to redeem all the Notes on the scheduled Redemption Date at the applicable Redemption Prices, together with all accrued and unpaid interest and Commitment Fee to the date of redemption and (c) solely in the case of an Auction Call Redemption pursuant to the Indenture, to make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount equal to the Preference Share Redemption Date Amount (or such lesser amount as is agreed by Preference Shareholders whose aggregate Voting Percentages at such time equal 100% of all Preference Shareholders' Voting Percentages at such time).

Unless a Majority-in-Interest of Preference Shareholders have directed the Issuer to redeem the Preference Shares on such Quarterly Distribution Date, the amount of Collateral 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).

A "Tax Event" occurs if (i) any obligor is, or on the next scheduled payment date under any Collateral Debt Security any obligor 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 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 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 or (iii) the Issuer or a Hedge Counterparty is required to deduct or withhold from any payment under a Hedge Agreement for or on account of any tax and the Issuer is obligated, or such Hedge Counterparty is not obligated, to make a gross-up payment. The "Tax Materiality Condition" will be satisfied during any 12-month period if the sum of the following exceeds U.S.$4,000,000: (i) the aggregate amount deducted or withheld for or on account of any tax by all obligors from any payment under any Collateral Debt Security (net of any gross-up payment made by such obligor 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 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 Optional Redemption, Auction Call 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, each Hedge Counterparty and to each Rating Agency. 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) in the case of a holder that is not a Qualified Institutional Buyer, such security or indemnity as may be required by the Co-Issuers or the Trustee.

The Notes may not be redeemed pursuant to an Optional Redemption, Auction Call Redemption or Tax Redemption unless at least six Business Days before the scheduled Redemption Date, the Issuer shall have furnished to the Trustee, the holders of the Notes of the Controlling Class and the Hedge Counterparties evidence, in form satisfactory to the Trustee, that 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), "A-1" by Standard & Poor's and "F1" by Fitch to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, all or part of the Collateral Debt Securities at a purchase price, when added to all cash and Eligible Investments maturing on or prior to the scheduled Redemption Date credited to each Account (other than the Custodial Account, any Synthetic Security Counterparty Account, any Synthetic Security Issuer Account or any Hedge Counterparty Collateral Account) on the relevant Quarterly Distribution Date, is at least equal to an amount sufficient to pay the Total Senior Redemption Amount.

Any such notice of redemption must be withdrawn by the Issuer on the sixth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, each Hedge Counterparty and the holders of the Notes of the Controlling Class if on or prior to such date (i) the Issuer has not delivered to the Trustee a certification that in its judgment based on calculations included in such certification, the sale proceeds from the sale of one or more of the Collateral Debt Securities and all cash and proceeds from Eligible Investments will be sufficient to pay the Total Senior Redemption Amount and (2) an approved pricing service has confirmed each sales price contained in such certification (if such price is quoted on an Approved Pricing Service) and (3) the sale prices of such Collateral Debt Securities are not below the fair market value of such Collateral Debt Securities or (ii) the Independent accountants appointed by the Issuer have not confirmed in writing the calculations made in such certification. During the period when a notice of redemption may be withdrawn, the Issuer shall not terminate any Hedge Agreement and if any Hedge Agreement shall become subject to early termination during such period, the Issuer shall enter into a replacement Hedge Agreement. 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 sixth Business Day prior to the scheduled Redemption Date.

Redemption Price

The amount payable in connection with any Optional Redemption, Auction Call Redemption or Tax Redemption of any Note (with respect to each Class of Notes, the "Redemption Price") will be an amount (determined without duplication) equal to (i) the outstanding principal amount of such Note (including any Class B Deferred Interest Amount and Class C Deferred Interest Amount) being redeemed plus (ii) accrued interest thereon (including Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any) plus (iii) in the case of any reduction in the related Commitment in respect of any Class A-1 Note, an amount equal to accrued Commitment Fee on the amount of such reduction.

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, interest on and Commitment Fee on any Note will be made to the person in whose name such Note is registered fifteen days prior to the applicable Quarterly 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 (if applicable) foreign exchange markets settle payments in each of New York, New York, London, England and Chicago, Illinois 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.

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 or Commitment Fee 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 Co-Issuers, 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 Quarterly 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 Quarterly Distribution Date, the period commencing on the day immediately following the fourth Business Day prior to the preceding Quarterly Distribution Date (or on the Closing Date, in the case of the Due Period relating to the first Quarterly Distribution Date) and ending on the sixth Business Day prior to such Quarterly Distribution Date, except that, in the case of the Due Period that is applicable to the Quarterly 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 Quarterly Distribution Date, Interest Proceeds with respect to the related Due Period will be distributed in the order of priority set forth under paragraphs (1) through (18) 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 0.001625% of the Net Outstanding Portfolio Collateral Balance on the first day of such Due Period, (b) *second*, to the payment, in the following order, to the Trustee, Collateral Administrator, the Preference Share Paying Agent, the Paying Agents, the Combination Security Trustee, the Note Registrar, the Combination Security Registrar, the Administrator, the Collateral Manager, the Class A-2 Agent, the Settlor and the Placement Agent of accrued and unpaid Administrative Expenses owing to them under this Indenture, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement, the Administration Agreement, the Collateral Management Agreement, the Reimbursement Agreement and the Class A-2 Agency and Amending Agreement, as applicable; provided that all payments made pursuant to subclause (b) of this clause (2) do not exceed on such Quarterly Distribution Date U.S.$100,000 for such Due Period; and (3) *third*, 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 of an amount equal to the lesser of (x) the amount by which U.S.$100,000 exceeds the aggregate amount of payments made under subclause (b) of this clause (2) on such Quarterly Distribution Date and (y) 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 the Interest Distribution Amount (and with respect to the Class A-1 Notes, Commitment Fee Amount) with respect to *first*, the Class A-1 Notes and *second*, the Class A-2 Notes;

(6) to the payment of the Interest Distribution Amount with respect to the Class B Notes;

(7) to the payment of the Interest Distribution Amount with respect to the Class C Notes;

(8) (a) unless paragraph (b) below applies, if either Coverage Test is not satisfied on the related Determination Date and if any Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes (including any Class B Deferred Interest Amount), and *fourth*, the Class C Notes (including any Class C Deferred Interest Amount), to the extent necessary to cause each of the Coverage Tests to be satisfied, and (b) on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, in the event that the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds to the payment of principal of, at the option of the Collateral Manager on behalf of the Issuer (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation;

(9) to the payment of the Class B Deferred Interest Amount (in reduction of the principal amount of the Class B Notes);

(10) to the payment of the Class C Deferred Interest Amount (in reduction of the principal amount of the Class C Notes);

(11) [Intentionally deleted];

(12) to the payment of all other accrued and unpaid administrative expenses of the Co-Issuers not paid pursuant to clause (2) above (whether as the result of the limitations on amounts set forth therein or otherwise);

(13) [Intentionally deleted];

(14) to the payment to the Collateral Manager of accrued and unpaid Subordinate Management Fee;

(15) to the payment to the Collateral Manager of the Incentive Management Fee (if any);

(16) to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount up to the amount necessary to achieve an annualized Dividend Yield of 15% per annum on such Quarterly Distribution Date;

(17) to the payment of principal of the Class C Notes until such Class of Notes has been paid in full; and

(18) 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, in each case, as provided in the Issuer Charter.

Principal Proceeds. On each Quarterly Distribution Date, Principal Proceeds with respect to the related Due Period will be distributed in the order of priority set forth under paragraphs (1) through (10) 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) after giving effect to any application of (x) Uninvested Proceeds and (y) Interest Proceeds pursuant to paragraph (8) under "Priority of Payments—Interest Proceeds", on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, to the payment of principal of, at the option of the Collateral Manager on behalf of the Issuer (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation;

(3) to the payment of principal of the Class A-1 Notes until the Class A-1 Notes have been paid in full;

(4) to the payment of principal of the Class A-2 Notes until the Class A-2 Notes have been paid in full;

(5) to the payment of Interest Distribution Amount with respect to Class B Notes, but only to the extent not paid in full pursuant to paragraph (6) under "Priority of Payments—Interest Proceeds";

(6) to the payment of principal (including Class B Deferred Interest Amount) of the Class B Notes until the Class B Notes have been paid in full;

(7) to the payment of Interest Distribution Amount with respect to Class C Notes, but only to the extent not paid in full pursuant to paragraph (7) under "Priority of Payments—Interest Proceeds";

(8) to the payment of principal (including Class C Deferred Interest Amount) of the Class C Notes until the Class C Notes have been paid in full;

(9) to the payment of amounts referred to in paragraphs (11), (12), (13), (14) and (15) under "Priority of Payments—Interest Proceeds" in the same order of priority therein, but only to the extent not paid thereunder; and

(10) 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, in each case, as provided in the Issuer Charter.

On the first Quarterly Distribution Date following the Ramp-Up Completion Date, if a Rating Confirmation Failure has occurred, Uninvested Proceeds will be applied to the payment of principal of at the option of the Collateral Manager on behalf of the Issuer (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the Holders of 100% of the Aggregate Outstanding Amount of Notes of each Class) on behalf of the Issuer and agreed to by means of a Rating Confirmation. In addition, if on any Quarterly Distribution Date Uninvested Proceeds are insufficient to pay the amounts referred to in paragraph (8) of "Priority of Payments — Interest Proceeds", above, the Issuer will use Interest Proceeds and then Principal Proceeds to make such payments (and in the same manner and order of priority).

Except as otherwise expressly provided in the Priority of Payments, if on any Quarterly 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 amounts to be paid to the Preference Share Paying Agent pursuant to paragraph (16) or (18) of the "Priority of Payments—Interest Proceeds" or paragraph (10) of the "Priority of Payments—Principal Proceeds" will be released from the lien of the Indenture.

So long as any Class A-1 Notes or Class A-2 Notes are outstanding (or the Commitment Period Termination Date has not occurred), any interest due on the Class B Notes which is not available to be paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date (any such interest, "Class B Deferred Interest Amount") shall be deferred and added to the Aggregate Outstanding Amount of the Class B Notes and shall not be considered "due and payable" until the Quarterly Distribution Date on which such Class B Deferred Interest Amount is available to be paid in accordance with the Priority of Payments; *provided* that no accrued interest on the Class B Notes shall become Class B Deferred Interest Amount unless Class A-1 Notes or Class A-2 Notes are then Outstanding or the Commitment Period Termination Date has not occurred. Class B Deferred Interest Amount accrued to any Quarterly Distribution Date shall bear interest equal to LIBOR plus 1.65% per annum and shall be payable on the first Quarterly Distribution Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments. Upon the payment of Class B Deferred Interest Amount, the Aggregate Outstanding Amount of the Class B Notes will be reduced by the amount of such payment.

So long as any Class A-1 Notes, Class A-2 Notes or Class B Notes are Outstanding (or the Commitment Period Termination Date has not occurred), any interest due on the Class C Notes which is not available to be paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date (any such interest, "Class C Deferred Interest Amount") shall be deferred and added to the Aggregate Outstanding Amount of the Class C Notes and shall not be considered "due and payable" until the Quarterly Distribution Date on which such Class C Deferred Interest Amount is available to be paid in accordance with the Priority of Payments; *provided* that no accrued interest on the Class C Notes shall become Class C Deferred Interest Amount unless Class A-1 Notes, Class A-2 Notes or Class B Notes are then Outstanding or the Commitment Period Termination Date has not occurred. Class C Deferred Interest Amount accrued to any Quarterly Distribution Date shall bear interest equal to LIBOR plus 3.25% per annum and shall be payable on the first Quarterly Distribution Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments. Upon the payment of Class C Deferred Interest Amount, the Aggregate Outstanding Amount of the Class C Notes will be reduced by the amount of such payment.

If the Notes and the Preference Shares have not been redeemed prior to January 2, 2040 it is expected that the Issuer will sell all of the Collateral Debt Securities and all Eligible Investments then standing to the credit of the Accounts (other than the Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account and any Synthetic Security Counterparty Account) 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 and interest (including the Class B Deferred Interest Amount, Class C Deferred Interest Amount, Defaulted Interest and interest on Defaulted Interest, if any) and Commitment Fee 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, and the payment of a U.S.$1,000 profit fee to, the owner of the Issuer's ordinary shares) will be distributed to the Preference Shareholders in accordance with the Issuer Charter.

Certain Definitions

"A3 Excess Percentage" means, on any date of determination with respect to any Pledged Collateral Debt Security (other than a Defaulted Security), the amount (expressed as a percentage) equal to the excess, if any, of (i) the aggregate Principal Balance (determined without regard to clause (f) of the definition of Principal Balance) of all Pledged Collateral Debt Securities (other than Defaulted Securities) having a Moody's Rating below "A3" but equal to or above "Baa3" on such date over (ii) 10% of the Net Outstanding Portfolio Collateral Balance divided by the aggregate Principal Balance (determined without duplication and without regard to clause (f) of the definition of Principal Balance) of all Pledged Collateral Debt Securities (other than Defaulted Securities) that have on such date a Moody's Rating below "A3" but equal to or above "Baa3".

"Account Control Agreement" means the agreement dated as of the Closing Date between the Issuer, the Trustee and the Custodian relating to the Accounts.

"Aggregate Undrawn Amount" means at any time, with respect to the Class A-1 Notes, the aggregate amount of the unutilized Commitments in respect of all Class A-1 Notes.

"Applicable Recovery Rate" means, with respect to any Collateral Debt Security on any Measurement Date, the lowest 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 CDO Obligation or Other ABS, (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 (1) if the Collateral Debt Security is a Corporate Debt Security, the recovery rate will be 30%, (2) 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 (3) if the Collateral Debt Security is a Synthetic Security, the recovery rate will be that assigned by Moody's), (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 as of such Measurement Date (or, in the case of a Defaulted Security, the Standard & Poor's Rating at the time of issuance) and (z) in the column in such table below the then current rating of the most senior Class of Notes outstanding *provided* that, (1) if such Collateral Debt Security is a Corporate Debt Security, such amount shall be 37% and (2) if such Collateral Debt Security is a Synthetic Security, the recovery rate will be that assigned by Moody's and (c) with respect to any Collateral Debt Security that is a Defaulted Security, the percentage equal to the Fitch Recovery Rate.

"Baa3 Excess Percentage" means, on any date of determination with respect to any Pledged Collateral Debt Security (other than a Defaulted Security), the amount (expressed as a percentage) equal to the excess, if any, of (i) the aggregate Principal Balance (determined without regard to clause (g) of the definition of Principal Balance) of all Pledged Collateral Debt Securities (other than Defaulted Securities) having a Moody's Rating below "Baa3" on such date over (ii) 10% of the Net Outstanding Portfolio Collateral Balance divided by the aggregate Principal Balance (determined without duplication and without regard to clause (g) of the definition of Principal Balance) of all Pledged Collateral Debt Securities (other than Defaulted Securities) that have on such date a Moody's Rating below "Baa3".

"Benchmark Rate" means (a) with respect to Collateral Debt Securities that bear interest at a floating rate, the offered rate for Dollar deposits in Europe of six 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 second London Banking Day preceding the date of acquisition of such Collateral Debt Securities and (b) with respect to Collateral Debt Securities that do 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.

"Borrowing means, following the initial amount borrowed on the Closing Date, additional amounts borrowed by the Issuer under the Class A-1 Notes during the Commitment Period.

"Borrowing Date" means, during the Commitment Period, the second day of each month (or if such day is not a Business Day, the next Business Day) on which a Borrowing is made.

"Calculation Amount" means, with respect to any Defaulted Security at any time, the lesser of (a) the fair market value of such Defaulted Security and (b) the amount obtained by multiplying the Applicable Recovery Rate by the principal balance of such Defaulted Security.

"CCC Excess Percentage" means, on any date of determination with respect to any Pledged Collateral Debt Security (other than a Defaulted Security), the amount (expressed as a percentage) equal to:

(a) the excess, if any, of (i) the Aggregate Principal Balance (determined without regard to clause (i) of the definition of Principal Balance) of all Pledged Collateral Debt Securities (other than Defaulted Securities) having a Standard & Poor's Rating below "CCC+" over (ii) 5% of the Net Outstanding Portfolio Collateral Balance divided by

(b) the Aggregate Principal Balance (determined without duplication and without regard to clause (i) of the definition of Principal Balance) of all Pledged Collateral Debt Securities (other than Defaulted Securities) that have on such date a Standard 's Rating below "CCC+".

"Class A-1 Note Purchase Agreement" means the purchase agreement dated on or prior to the Closing Date between the Co-Issuers and the Beneficial Owners from time to time of the Class A-1 Notes, as modified and supplemented and in effect from time to time.

"Class A-2 Account Control Agreement" means the agreement dated as of the Closing Date between the Issuers, the Trustee and the Custodian relating to accounts for the Class A-2 Notes.

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

"Class B Deferred Interest Amount" means, so long as any Class A-1 Notes or Class A-2 Notes are outstanding (or the Commitment Period Termination Date has not occurred), any interest due on the Class B Notes which is not available to be paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date.

"Class C Deferred Interest Amount" means, so long as any Class A-1 Notes, Class A-2 Notes or Class B Notes are outstanding (or the Commitment Period Termination Date has not occurred), any interest due on the Class C Notes which is not available to be paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date.

"Combination Security Registrar" means LaSalle Bank National Association, as registrar under the Trust Agreement.

"Combination Security Trustee" means LaSalle Bank National Association, as trustee under the Trust Agreement.

"Commitment Fee" means, with respect to the Class A-1 Notes, the commitment fee payable by the Issuer to the Holders of the Class A-1 Notes on the Aggregate Undrawn Amount of the Class A-1 Notes, for each day from and including the Closing Date to but excluding the Commitment Period Termination Date at a rate per annum equal to the Commitment Fee Rate.

"Commitment Fee Amount" means with respect to the Class A-1 Notes as of any Quarterly Distribution Date, the sum of (a) the aggregate amount of Commitment Fee accrued during the Interest Period ending on such Quarterly Distribution Date plus (b) any Commitment Fee Amount due but not paid in any previous Interest Period plus (c) any Defaulted Interest in respect of any Commitment Fee Amount due but not paid on any prior Quarterly Distribution Date (which Defaulted Interest shall accrue at the Note Interest Rate applicable to the Class A-1 Notes).

"Commitment Period" means the commitment period commencing with and including the Closing Date and ending on but excluding the Commitment Period Termination Date.

"Commitment Period Termination Date" means the earliest to occur of (a) the first Business Day following the Ramp-Up Completion Date; (b) the redemption of the Class A-1 Notes in full; (c) the first date on which the Aggregate Undrawn Amount of the Class A-1 Notes has been reduced to zero; (d) the occurrence of an Event of Default specified in Section 5.1(d), 5.1(f) or 5.1(g) of the Indenture; or (e) the sale, foreclosure or other disposition of the Collateral pursuant to the Indenture.

"Custodian" means the custodian under the Account Control Agreement.

"Defaulted Security" means any Collateral Debt Security:

(1) as to which the Trustee has actual knowledge that the issuer thereof has defaulted in the payment of principal or interest without regard to any applicable grace period or waiver; *provided* that a Collateral Debt Security will not be classified as a "Defaulted Security" under this paragraph if (i) the Collateral Manager certifies to the Trustee, in its judgment, that such payment default is due to non-credit and non-fraud related reasons and such default does not continue for more than five Business Days (or, if earlier, until the next succeeding Determination Date) or (ii) such payment default has been cured by the payment of all amounts that were originally scheduled to have been paid;

(2) as to which the Trustee has actual knowledge that all amounts due under such Collateral Debt Security have been accelerated prior to its Stated Maturity or such Collateral Debt Security can be immediately so accelerated, unless such rights of acceleration have been waived;

(3) that ranks *pari passu* with or subordinate to any other material indebtedness for borrowed money owing by the issuer of such security (for purposes hereof, "Other Indebtedness") if the Trustee has actual knowledge that such issuer had defaulted in the payment (beyond any applicable notice or grace period) of principal or interest with respect to such Other Indebtedness, unless, in the case of a default or event of default consisting of a failure of the obligor on such security to make required interest payments, such Other Indebtedness has resumed current payments of interest (including all accrued interest) in cash (whether or not any waiver or restructuring has been effected);

(4) as to which any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer thereof, or there has been proposed or effected any distressed exchange or other debt restructuring pursuant to which the issuer thereof has offered the holders thereof a new security or package of securities that is intended solely to enable the relevant obligor to avoid defaulting in the performance of its obligations under such Collateral Debt Security; *provided* that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (4) if such Collateral Debt Security was acquired in a distressed exchange or other debt restructuring and complies with the requirements of the definition of "Collateral Debt Security";

(5) that is rated "Ca" or "C" by Moody's;

(6) that is rated "CC", "D" or "SD" (or has had its rating withdrawn) by Standard & Poor's;

(7) that is rated "CC" or lower by Fitch;

(8) that is a Defaulted Synthetic Security;

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

(10) that is a Deliverable Obligation that would not satisfy paragraphs (1) through (4) and (6) through (33) of the Eligibility Criteria at the time such Deliverable Obligation is delivered to the Issuer.

For the purposes of this definition, the words "actual knowledge" shall mean receipt by the Trustee of any relevant report, documentation or notice from the issuer of or trustee or other service provider with respect to a Collateral Debt Security that states or provides notification that any of the above events has occurred. In addition, the Trustee shall be deemed to have "actual knowledge" that a Collateral Debt Security or any other security included in the Collateral is a Defaulted Security if the Trustee receives (whether received in writing, by electronic means or otherwise) a written notice addressed to the Trustee from the Collateral Manager, any Noteholder, any Preference Shareholder, any Hedge Counterparty or any Rating Agency that such party has obtained knowledge of any such default.

"Defaulted Synthetic Security" means (a) if such Synthetic Security is a Single Obligation Synthetic Security, any Synthetic Security as to which, if such Reference Obligation were a Collateral Debt Security, such Reference Obligation would constitute a "Defaulted Security" under the definition thereof (other than any of paragraphs (8), (9) or (10) of such definition), (b) if such Synthetic Security references more than one Reference Obligation and does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment

thereunder, any Synthetic Security as to which the aggregate repayment obligation owing to the Issuer has been reduced by reason of the occurrence of one or more "credit events" or other similar circumstances, (c) if such Synthetic Security references more than one Reference Obligation and provides that the Issuer has (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after the effective date thereof, any Synthetic Security as to which the Issuer has become obligated to make one or more payments to the Synthetic Security Counterparty by reason of the occurrence of one or more "credit events" or other similar circumstances and (d) any Synthetic Security as to which a Deliverable Obligation has become deliverable to the Issuer by reason of the occurrence of one or more "credit events" or other similar circumstances.

"Defeased Synthetic Security" means any Synthetic Security that requires payment by the Issuer after the date upon which it is pledged to the Trustee and that satisfies the following: (a) the Issuer has caused to be deposited in a Synthetic Security Counterparty Account an amount at least equal to the aggregate of all further payments (contingent or otherwise) that the Issuer is or may be required to make to the Synthetic Security Counterparty under the Synthetic Security; (b) the agreement relating to such Synthetic Security contains "non-petition" provisions with respect to the Issuer and "limited recourse" provisions limiting the Synthetic Security Counterparty's rights in respect of the Synthetic Security to the funds and other property credited to the Synthetic Security Counterparty Account related to such Synthetic Security and (c) the agreement relating to such Synthetic Security contains provisions to the effect that upon the occurrence of an "Event of Default" or "Termination Event" (other than an "Illegality" or "Tax Event") where the Synthetic Security Counterparty is the sole "Defaulting Party" or the sole " Affected Party" ("Event of Default", "Termination Event", "Illegality", "Tax Event", "Defaulting Party" or "Affected Party", as applicable, as such terms are defined in the ISDA Master Agreement relating to such Synthetic Security) (x) the Issuer may terminate its obligations under such Synthetic Security and upon such termination, any lien in favor of the Synthetic Security Counterparty over its related Synthetic Security Counterparty Account will be terminated and (y) the Issuer will no longer be obligated to make any payments to the Synthetic Security Counterparty with respect to such Synthetic Security.

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

"Dividend Yield" means, as of any Quarterly Distribution Date, when used in paragraph (16) of "Priority of Payments– Interest Proceeds", the per annum rate (expressed as a percentage) determined by multiplying (a) the aggregate amount distributed on such Quarterly Distribution Date pursuant to paragraph (16) divided by the original aggregate liquidation preference of all Preference Shares issued on the Closing Date multiplied by (b) the quotient of (i) 360 divided by (ii) the number of days during the period from, and including, the immediately preceding Quarterly Distribution Date to, but excluding, such Quarterly Distribution Date (calculated on the basis of a year of 360 days and twelve 30-day months).

"Equity Security" means any security, obligation or other property (other than Cash) acquired by the Issuer as a result of the exercise or conversion of a Collateral Debt Security, in conjunction with the purchase of a Collateral Debt Security or in exchange for a Defaulted Security.

"First Ramp-Up Test Date" means the date that is the earlier of (a) June 2, 2004 and (b) the first date on which the aggregate Principal Balance of the Pledged Collateral Debt Securities plus the aggregate amount of all accrued interest on all Pledged Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date is at least equal to U.S.$650,000,000.

"Form Approved Synthetic Security" means one or more Synthetic Securities, the form of the documents in respect of which has satisfied the Rating Condition with respect to Moody's, Fitch and Standard & Poor's.

"Incentive Management Fee" means the fee payable by the Issuer to Vanderbilt Capital Advisors, LLC (or any successor Collateral Manager that acts as Collateral Manager on such Quarterly Distribution Date) if on any Quarterly Distribution Date (including any date on which the Preference Shares are redeemed) the Preference Shareholders have received an annualized IRR of at least 15% per annum (the "Target Return") on the initial aggregate liquidation preference of the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date (after taking into account any distributions made or to be made in respect of the Preference Shares on such Quarterly Distribution Date and all prior Quarterly Distribution Dates in accordance with the Priority of Payments). Such Incentive Management Fee shall be

payable by the Issuer on any such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, in accordance with the Priority of Payments in an amount, with respect to any Quarterly Distribution Date, equal to 25% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to paragraphs (1) through (14) under "Description of the Notes—Priority of Payments—Interest Proceeds" on such Quarterly Distribution Date and (b) the Principal Proceeds (if any) remaining after the payment of all amounts payable pursuant to paragraphs (1) through (8) and (solely to the extent amounts are paid thereunder in respect of unpaid amounts referred to in paragraphs (11), (12), (13) and (14) under "Description of the Notes—Priority of Payments—Interest Proceeds") paragraph (9) under "Description of the Notes—Priority of Payments—Principal Proceeds" on such Quarterly Distribution Date. The Incentive Management Fee will continue to be payable to Vanderbilt Capital Advisors, LLC or such successor Collateral Manager following any resignation or removal of Vanderbilt Capital Advisors, LLC or such successor Collateral Manager, as the case may be.

"Interest Distribution Amount" means, with respect to any Class of Notes and any Quarterly Distribution Date, the sum of (i) the aggregate amount of interest accrued at the Note Interest Rate for such Class applicable for the Interest Period relating to such Class during the period from, and including, the immediately preceding Quarterly Distribution Date to, but excluding, such Quarterly Distribution Date, on the Aggregate Outstanding Amount of the Notes of such Class on the first day of such Interest Period (after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on any preceding Quarterly Distribution Date) plus (ii) any Defaulted Interest in respect of the Notes of such Class and accrued interest thereon.

"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 and Written Down Securities) received in cash by the Issuer during such Due Period (excluding accrued interest included in Principal Proceeds pursuant to paragraph (9) 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 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, any Synthetic Security Issuer Account and any Synthetic Security Counterparty Account (except for amounts of interest actually transferred from a Synthetic Security Counterparty Account to the Interest Proceeds Account during such Due Period)) 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 and Written Down Securities and yield maintenance payments included in Principal Proceeds pursuant to paragraph (9) of the definition thereof; (5) all payments received in cash by the Issuer pursuant to the Interest Rate Hedge Agreement (excluding any payments received by the Issuer by reason of an event of default or termination event that are required to be used for the purchase of a replacement Interest Rate Hedge Agreement) less any deferred premium payments payable by the Issuer under the Interest Rate Hedge Agreement during such Due Period; and (6) all amounts on deposit in the Expense Account, the Semi-Annual Interest Reserve 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", respectively; *provided* that (x) Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof or (ii) any Excepted Property and (y) payments made by a Hedge Counterparty on a Quarterly Distribution Date will be deemed to have been made during the related Due Period.

"Measurement Date" means any of the following: (a) the Closing Date; (b) each Ramp-Up Test Date and the Ramp-Up Completion Date; (c) any date after the Ramp-Up Completion Date on which the Issuer disposes of a Collateral Debt Security or on which a Collateral Debt Security becomes a Defaulted Security; (d) each Determination Date; (e) the last Business Day of each calendar month (other than any calendar month before a month in which a Determination Date occurs and any calendar month ending prior to the Ramp-Up Completion Date); (f) any date on which the Issuer acquires a Collateral Debt Security; and (g) with reasonable notice to the Issuer and the Trustee, any other Business Day that any Rating Agency or holders of more than 50% of aggregate outstanding amount of any Class of Notes requests to 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 Pledged Collateral Debt Securities plus (b) the aggregate amount of all Principal Proceeds and Uninvested Proceeds held as cash and 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 on such Measurement Date of all Pledged Collateral Debt Securities that are Defaulted Securities plus (d) for each Defaulted Security, the Calculation Amount with respect to such Defaulted Security. Solely for purposes of the "Eligibility Criteria" and as used in the definition of "Fair Market Value", on or prior to the Ramp-Up Completion Date, the Net Outstanding Portfolio Collateral Balance shall equal U.S.$1,500,000,000.

"PIK Bond" means any 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.

"Placement Agent" means MLPFS as placement agent under the Trust Agreement.

"Pledged Collateral Debt Security" means, as of any date of determination, any Collateral Debt Security that has been pledged to the Trustee and has not been released from the lien of the Indenture.

"Principal Balance" or "par" means, with respect to any pledged security or Collateral Debt Security, as of any date of determination, the outstanding principal amount of such pledged security or Collateral Debt Security; *provided* that:

(a) the Principal Balance of a Collateral Debt Security received upon acceptance of an Offer for another Collateral Debt Security, which Offer expressly states that failure to accept such Offer may result in a default under the Underlying Instruments, shall be deemed to be the Calculation Amount of such other Collateral Debt Security until such time as Interest Proceeds and Principal Proceeds, as applicable, are received when due with respect to such other Collateral Debt Security;

(b) the Principal Balance of any Synthetic Security shall be equal to (i) in the case of any Synthetic Security that does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder, the aggregate amount of the repayment obligations of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security and (ii) in the case of any other Synthetic Security, the balance in the related Synthetic Security Collateral Account reduced by the amount of any payments due and payable to the Synthetic Security Counterparty by reason of the occurrence of one or more "credit events" or other similar circumstances to the extent such payments have not yet been made;

(c) the Principal Balance of any Equity Security, unless otherwise expressly stated herein, shall be deemed to be zero;

(d) the Principal Balance of any Eligible Investment that does not pay cash interest on a current basis will be the lesser of par and the original issue price thereof;

(e) the Principal Balance of any Written Down Security shall be deemed to be the lesser of (i) the fair market value of such Written Down Security and (ii) the Principal Balance of such Collateral Debt Security (determined without regard to this clause (e)) *minus* the aggregate par amount of all defaulted collateral securing such Issue in excess of the aggregate par amount of all other securities secured by the same pool of collateral that rank junior in priority of payment to such Collateral Debt Security (as reported to holders of such Written Down Security in the most recent report delivered to holders of such Written Down Security in accordance with its Underlying Instruments and received by the Trustee);

(f) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Test, if on any date the aggregate Principal Balance (determined without regard to this clause (f)) of all Collateral Debt Securities (other than Defaulted Securities) that have a Moody's Rating of below "A3" but equal to or above "Baa3" exceeds 10% of the Net Outstanding Portfolio Collateral Balance, then the

Principal Balance with respect to the A3 Excess Percentage of each such Collateral Debt Security shall be 96% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (f));

(g) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Test, if on any date the aggregate Principal Balance (determined without regard to this clause (g)) of all Collateral Debt Securities (other than Defaulted Securities) that have a Moody's Rating of below "Baa3" exceeds 10% of the Net Outstanding Portfolio Collateral Balance, then the Principal Balance with respect to the Baa3 Excess Percentage of each such Collateral Debt Security (or, with respect to any Collateral Debt Security referred to in clause (iii) below, with respect to 100% of such Collateral Debt Security) shall be:

(i) if such Collateral Debt Security is rated "Ba1", "Ba2" or "Ba3" by Moody's, 90% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (g));

(ii) if such Collateral Debt Security is rated "B1", "B2" or "B3" by Moody's, 75% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (g)); and

(iii) if such Collateral Debt Security is rated below "B3" by Moody's, 50% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (g));

(h) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Test, the Principal Balance of any Collateral Debt Security that has a Fitch Rating of below "A-" shall be:

(i) if such Collateral Debt Security is rated "BBB+", "BBB" or "BBB-" by Fitch, 92% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (h));

(ii) if such Collateral Debt Security is rated "BB+", "BB" or "BB-" by Fitch, 85% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (h));

(iii) if such Collateral Debt Security is rated "B+", "B" or "B-" by Fitch, 72% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (h)); and

(iv) if such Collateral Debt Security is rated below "B-" by Fitch, 50% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (h));

(i) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Test, if on any date the aggregate Principal Balance (determined without regard to this clause (i)) of all Collateral Debt Securities (other than Defaulted Securities) that have a Standard & Poor's Rating of below "CCC+" exceeds 5% of the Net Outstanding Portfolio Collateral Balance, then the Principal Balance with respect to the CCC Excess Percentage of each such Collateral Debt Security shall be 70% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (i));

(j) the Principal Balance of any Step-Up Bond shall be the sum of (i) the original issue price thereof plus (ii) the aggregate amount of interest accreted thereon to but excluding such date of determination in accordance with the provisions of the related Underlying Instruments (or any other agreement between the issuer thereof and the original purchasers thereof) relating to the reporting of income by the holders of, and deductions by the issuer of, such Step-Up Bond for U.S. Federal income tax purposes;

provided that (1) in the event that more than one of clauses (f), (h) and (i) or more than one of clauses (g), (h) and (i) would apply to the determination of the Principal Balance of a Collateral Debt Security, the Principal Balance of such Collateral Debt Security shall be the lowest of the determinations made pursuant to clauses (f), (h) and (i) or the lowest of the determinations made pursuant to clauses (g), (h) and (i), as the case may be, and (2) in the event that unanticipated events affect market conditions generally, (x) the applicability of clauses (f) and (g) of this definition (including the applicable percentages and ratings, as well as the definitions used therein) may be modified if the Rating Condition with respect to Moody's is satisfied with respect to such modification, (y) the applicability of clause (h) of this definition

(including the applicable percentages and ratings, as well as the definitions used therein) may be modified if the Rating Condition with respect to Fitch is satisfied with respect to such modification and (z) the applicability of clause (i) of this definition (including the applicable percentages and ratings, as well as the definitions used therein) may be modified if the Rating Condition with respect to Standard & Poor's is satisfied with respect to such modification.

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) any Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date; (2) all payments of principal of the Collateral Debt Securities received in cash by the Issuer during such Due Period including prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries on Defaulted Securities and Written Down Securities, including the proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers, tender offers for any Equity Security received in cash by the Issuer during such Due Period; (3) Sale Proceeds received in cash by the Issuer during such Due Period (including as a result of the sale of any Credit Risk Security, Written Down Security or Defaulted Security but excluding those included in Interest Proceeds as defined above); (4) all payments of principal on Eligible Investments purchased with amounts from the Principal Collection Account or 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 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 the Indenture and such proceeds are not included in Interest Proceeds pursuant to clause (5) of the definition thereof; (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 on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds; (9) yield maintenance payments received in cash by the Issuer during such Due Period; (10) all payments of interest on Defaulted Securities 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; (11) all Cash and principal payments received in respect of Eligible Investments credited to the Principal Collection Account in accordance with the provisions of the Indenture during such Due Period and (12) all other payments received in such Due Period in connection with the Collateral Debt Securities and Eligible Investments (other than those standing to the credit of any Hedge Counterparty Collateral Account, Synthetic Security Issuer Account or Synthetic Security Counterparty Account) that are not included in Interest Proceeds; *provided* that in no event will 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.

"Purchase Agreement" means an agreement entered into March 31, 2004 between the Initial Purchasers and the Co-Issuers relating to the placement of the Notes and Preference Shares.

"Quarterly Asset Amount" means, with respect to any Quarterly 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.

"Ramp-Up Completion Date" means the date that is the earlier of (a) October 4, 2004 and (b) the first date on which the aggregate Principal Balance of the Pledged Collateral Debt Securities plus the aggregate amount of all accrued interest on all Pledged Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date is at least equal to U.S.$1,500,000,000.

"Ramp-Up Test Dates" means the First Ramp-Up Test Date and the Second Ramp-Up Test Date.

"Second Ramp-Up Test Date" means the date that is the earlier of (a) August 2, 2004 and (b) the first date on which the aggregate Principal Balance of the Pledged Collateral Debt Securities plus the aggregate amount of all accrued interest on all Pledged Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in

the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date is at least equal to U.S.$1,100,000,000.

"Reimbursement Agreement" means the reimbursement agreement dated as of the Closing Date between the Combination Security Trustee, the Combination Security Registrar, the Settlor, Placement Agent and the Issuer under which the Issuer agrees to pay or reimburse the Combination Security Trustee, the Combination Security Registrar, the Settlor, Placement Agent for certain fees and expenses incurred under the Trust Agreement.

"Senior Management Fee" means the fee payable to Vanderbilt Capital Advisors, LLC in arrears on each Quarterly Distribution Date pursuant to the Collateral Management Agreement, in an amount equal to 0.10% per annum of the Quarterly Asset Amount for such Quarterly Distribution Date (i.e., 0.025% multiplied by such Quarterly Asset Amount); *provided* that the Senior Management Fee will be payable on each Quarterly Distribution Date only to the extent of funds available for such purpose in accordance with the Priority of Payments. Any accrued but unpaid Senior Management Fee will be deferred. Any unpaid Senior Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of Vanderbilt Capital Advisors, LLC) shall be paid on the next succeeding Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall not accrue interest.

"Settlor" means MLPFS, as settlor under the Trust Agreement.

"Single Obligation Synthetic Security" means a Synthetic Security that references only one Reference Obligation.

"Subordinate Management Fee" means the fee payable to Vanderbilt Capital Advisors, LLC in arrears on each Quarterly Distribution Date pursuant to the Collateral Management Agreement, in an amount equal to 0.09% per annum of the Quarterly Asset Amount for such Quarterly Distribution Date (i.e., 0.0225% multiplied by such Quarterly Asset Amount); *provided* that the Subordinate Management Fee will be payable on each Quarterly Distribution Date only to the extent of funds available for such purpose in accordance with the Priority of Payments. Any accrued but unpaid Subordinate Management Fee will be deferred. Any unpaid Subordinate Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of Vanderbilt Capital Advisors, LLC) shall be paid on the next succeeding Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall not accrue interest.

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

(a) the issuer credit rating of the Synthetic Security Counterparty is rated "D" or "SD" by Standard & Poor's provided that the foregoing shall not apply in the case of a Defeased Synthetic Security so long as the Synthetic Security Counterparty shall periodically (and in no event less frequently than once each month) transfer collateral to the related Synthetic Security Counterparty Issuer Account, together with all other collateral previously transferred, having a value at least equal to any termination payment that would be due to the Issuer upon the early termination of such Synthetic Security; or

(b) the Synthetic Security Counterparty has defaulted in the performance of any of its payment or delivery obligations under the Synthetic Security.

"Trust Agreement" means the trust agreement dated as of the Closing Date between the Settlor, the Placement Agent, the Combination Security Trustee (as trustee of the trust arrangement created thereunder), the Combination Security Registrar and LaSalle Bank National Association, as securities custodian.

"Underlying Instruments" means the indenture or other agreement 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, (a) the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Notes and the Preference Shares to the extent such proceeds have not been deposited in the Expense Account or the Interest Reserve Account or invested in Collateral Debt Securities, each in accordance with the Indenture or deposited in a Synthetic Security Counterparty Account and (b) the net proceeds received by the Issuer after the Closing Date, from any Borrowing under the Class A-1 Notes to the extent such proceeds have not been invested in Collateral Debt Securities in accordance with the terms of the Indenture or deposited in a Synthetic Security Counterparty Account.

"Warehouse Agreements" means (i) the Warehouse Agreement dated as of January 28, 2004 between Merrill Lynch International and the Collateral Manager and (ii) the engagement letter dated March 2, 2004 between Bear, Stearns & Co. Inc. and the Collateral Manager.

"Written Down Security" means, as of any date of determination, 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), as determined by the Collateral Manager using customary procedures and information available in the servicer reports relating to such Written Down Security.

The Coverage Tests

On and after the Ramp-Up Completion Date, the Coverage Tests applicable to a Class of Notes will be used primarily to determine whether and to what extent Interest Proceeds may be used to pay interest on and dividends in respect of Offered Securities Subordinate to such Class and certain other expenses.

In the event that either Coverage Test is not satisfied on any Quarterly 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 Coverage Test to be satisfied. See "–Priority of Payments". For the purpose of determining any payment to be made on any Quarterly 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 Quarterly Distribution Date after giving effect to all payments to be made on such Quarterly Distribution Date prior to such payment in accordance with "Priority of Payments–Interest Proceeds".

The "Coverage Tests" will consist of the Overcollateralization Test and the Interest Coverage Test. For purposes of 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 Overcollateralization Test:

The "Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding principal amount of the Class A-1 Notes plus (ii) the aggregate outstanding principal amount of the Class A-2 Notes plus (iii) the aggregate outstanding principal amount of the Class B Notes (including the Class B Deferred Interest Amount) plus (iv) the aggregate outstanding principal amount of the Class C Notes (including the Class C Deferred Interest Amount).

The "Overcollateralization Test", for so long as any Notes remain Outstanding (or the Commitment Period Termination Date has not occurred), will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Overcollateralization Ratio on such Measurement Date is equal to or greater than 100.25%.

The Interest Coverage Tests:

The Interest Coverage Ratio (the "Interest Coverage Ratio") as of any Measurement Date will be calculated by dividing:

(a) the sum (without duplication) of (i) the scheduled distributions of interest due (in each case regardless of whether the applicable due date has yet occurred) in the Due Period in which such Measurement Date occurs on (x) the Pledged Collateral Debt Securities and (y) any Eligible Investments held in each Account (except each Hedge Counterparty Collateral Account and each Synthetic Security Issuer Account and in the case of each Synthetic Security Counterparty Account, only to the extent the Issuer is entitled to receive such interest), in each case, whether such Eligible Investments were purchased with Interest Proceeds or Principal Proceeds plus *(ii)* any fees actually received by the Issuer during such Due Period that constitute Interest Proceeds plus *(iii)* the amount, if any, scheduled to be paid to the Issuer by the Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreement on the Quarterly Distribution Date relating to such Due Period minus *(iv)* the amount, if any, scheduled to be paid to the payment of taxes and filing and registration fees owed by the Co-Issuers on the Quarterly Distribution Date relating to such Due Period minus *(v)* the amount, if any, scheduled to be applied on the Quarterly Distribution Date relating to such Due Period (A) to the payment to the Trustee, the Collateral Administrator, the Preference Share Paying Agent, the Combination Security Trustee, the Note Registrar, the Combination Security Registrar, the agent appointed pursuant to the Class A-2 Agency and Amending Agreement, the Collateral Manager, the Administrator, the Settlor and the Placement Agent of accrued and unpaid administrative expenses and (B) to the payment of other accrued and unpaid administrative expenses of the Co-Issuers, in each case, owing to them under paragraph (2) under "Priority of Payments–Interest Proceeds" to the extent all such payments pursuant to subclauses (A) and (B) of this clause (v) do not exceed U.S.$100,000 minus (vi) the amount, if any, scheduled to be paid to the Collateral Manager of accrued and unpaid Senior Management Fee; by

(b) the sum of (i) the Interest Distribution Amount and Commitment Fee Amount for the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes payable on the Quarterly Distribution Date immediately following such Measurement Date relating to such Due Period plus *(ii)* the amount, if any, scheduled to be paid to the Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreement on the Quarterly Distribution Date relating to such Due Period.

In the event that the calculation of the Interest Coverage Ratio produces a negative number, the Interest Coverage Ratio shall be deemed to be equal to zero.

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, and amounts, if any, payable under the Hedge Agreements 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 scheduled 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, that no Borrowings are made on under the Class A-1 Notes during the applicable period and that the Designated Maturity of any outstanding Borrowing will remain constant.

For the purpose of determining compliance with any Interest Coverage Test, there shall be excluded all payments in respect of Defaulted Securities 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 made in cash or will not be received when due.

The "Interest Coverage Test" means, for so long as any Notes remain outstanding (or if the Commitment Period Termination Date has not occurred), a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Interest Coverage Ratio as of such Measurement Date is equal to or greater than 104.75%.

Form, Denomination, Registration and Transfer

General

(i) Regulation S Notes, which will be sold to persons that are not U.S. Persons in offshore transactions in accordance with Regulation S, will be represented by one or more permanent Regulation S Global Notes in definitive, fully

registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company ("DTC") or its nominee, initially for the accounts of Euroclear and Clearstream, Luxembourg. By acquisition of a beneficial interest in a Regulation S Global Note, any purchaser thereof will be deemed to represent that it is not a U.S. Person and that, 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 Note. Beneficial interests in each Regulation S Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants, including Euroclear and Clearstream, Luxembourg.

(ii) Restricted Notes, which will be offered in the United States in reliance upon an exemption from the registration requirements of the Securities Act will be represented by one or more Restricted Global Notes in fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. Interests in Restricted Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants.

(iii) The Notes are subject to the restrictions on transfer set forth in this Offering Circular under "Transfer Restrictions".

(iv) Owners of beneficial interests in Regulation S Global Notes and Restricted Global Notes will be entitled or required, as the case may be, under certain limited circumstances described below, to receive physical delivery of certificated Notes ("Definitive Notes") in fully registered, definitive form. No owner of an interest in a Regulation S Global Note will be entitled to receive a Definitive Note unless (1) for a person other than a distributor (as defined in Regulation S), such person provides certification that the Definitive Note is beneficially owned by a person that is not a U.S. Person (as defined in Regulation S) or (2) for a person that is a U.S. Person, such person provides certification that any interest in such Definitive Note was purchased in a transaction that did not require registration under the Securities Act. The Notes are not issuable in bearer form.

(v) Pursuant to the Indenture, LaSalle Bank National Association 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"). LaSalle Bank National Association has been appointed as a transfer agent with respect to the Notes (in such capacity, the "Transfer Agent").

(vi) The Notes will be issuable in a minimum denomination of U.S.$500,000 for Class A-1 Notes and U.S$250,000 for Class A-2 Notes, Class B Notes and Class C Notes and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof for Class A-1 Notes, Class B Notes and Class C Notes and an integral multiple of U.S.$25,000 for Class A-2 Notes.

(vii) After issuance, a Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments (or in the case of Class A-1 Notes, due to Borrowings thereunder).

(viii) After issuance, Class B 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 B Deferred Interest Amount.

(ix) After issuance, 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 Amount.

Global Notes

(i) So long as the depositary for a Global Note, or its nominee, is the registered holder of such Global Note, such depositary or such nominee, as the case may be, will be considered the absolute owner or holder of such Regulation S Note or Restricted Note, as the case may be, represented by such Global Note for all purposes under the Indenture and the Notes and members of, or participants in, the depositary (the "Participants") as well as any other persons on whose behalf Participants may act (including Euroclear and Clearstream, Luxembourg and account holders and participants therein) will have no rights under the Indenture or under a Note. Owners of beneficial interests in a Global Note will not be considered

to be the owners or holders of any Note under the Indenture or the Notes. In addition, no beneficial owner of an interest in a Global Note will be able to exchange or transfer that interest, except in accordance with the applicable procedures of the depositary and (in the case of a Regulation S Global Note) Euroclear or Clearstream, Luxembourg (in addition to those under the Indenture), in each case to the extent applicable (the "Applicable Procedures").

(ii) Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Investors may also hold such interests other than through Euroclear or Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will hold interests in Regulation S Global Notes 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 that are participants in such system.

(iii) Payments of the principal of, and interest on, an individual Global Note registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the Global Note. None of the Issuer, the Trustee, the Note Registrar 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 Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(iv) With respect to the Global Notes, the Issuer expects that the depositary for any Global Note or its nominee, upon receipt of any payment of principal of or interest or Commitment Fee on such Global Note, will immediately credit the accounts of Participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of the depositary or its nominee. The Issuer also expects that payments by Participants to owners of beneficial interests in such Global Note 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.

Definitive Notes

Interests in a Regulation S Note or a Restricted Note represented by a Global Note will be exchangeable or transferable, as the case may be, for a Regulation S Note or a Restricted Note, respectively, that is a Definitive Note if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Note, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 90 days, (c) the transferee of an interest in such Global Note is required by law to take physical delivery of securities in definitive form or (d) the transferee is otherwise unable to pledge its interest in a Global Note. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Notes bearing an appropriate legend (a "Legend") regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Definitive Notes bearing a Legend, or upon specific request for removal of a Legend on a Note, the Co-Issuers shall deliver through the Trustee or any Paying Agent (other than the Preference Share Paying Agent) to the holder and the transferee, as applicable, one or more Definitive Notes in certificated form corresponding to the principal amount of Definitive Notes surrendered for transfer, exchange or replacement that bear such Legend, or will refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer that neither the Legend nor the restrictions on transfer set forth therein is required to ensure compliance with the provisions of the Securities Act or the Investment Company Act. Definitive Notes will be exchangeable or transferable for interests in other Definitive Notes as described below.

Transfer and Exchange of Notes

(i) 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 only in accordance with the Applicable Procedures and upon receipt by the Note Registrar of written certifications from the transferor of the beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made (a) to a person whom the transferor reasonably believes is a Qualified Institutional Buyer to whom notice is given that the transfer

is being made in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act and, (b) to a Qualified Purchaser and (c) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and from the transferee in the form provided for in the Indenture. Exchanges or transfers by a holder of a Note represented by a Definitive Note to a transferee who takes delivery of such Note in the form of a beneficial interest in a Restricted Global Note will be made no later than 60 days after the receipt by the Note Registrar or Transfer Agent, as the case may be, of the Definitive Notes to be so exchanged or transferred only in accordance with the Applicable Procedures, and, if applicable, upon receipt by the Note Registrar of a written certification from the transferor in the form provided in the Indenture.

An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification, *provided* that (1) such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures and (2) any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision to the Note Registrar of written certification from the transferee and transferor in the form provided for in the Indenture.

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 and (B) is not a Qualified Institutional Buyer (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note or interest therein directly from the Co-Issuers or the Initial Purchasers) and also 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 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, (i) 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 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 and the Co-Issuers, in connection with such transfer, that such person is both a Qualified Institutional Buyer and a Qualified Purchaser, and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

(ii) 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 in accordance with the Applicable Procedures and upon receipt by the Note Registrar of written certification from the transferor in the form provided in the Indenture to the effect that such transfer is being made in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S. Exchanges or transfers by a holder of a Note represented by a Definitive Note to a transferee who takes delivery of such Note in the form of a beneficial interest in a Regulation S Global Note will be made no later than 60 days after the receipt by the Note Registrar or Transfer Agent, as the case may be, of the Definitive Notes to be so exchanged or transferred only in accordance with the Applicable Procedures, and, if applicable, upon receipt by the Note Registrar of a written certification from the transferor in the form provided in the Indenture.

An owner 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 such Restricted Global Note without the provision of written certification if the transferee is a Qualified Institutional Buyer and a Qualified Purchaser.

(iii) Transfers between Participants in DTC 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, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

(iv) Notes in the form of 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 as provided in the Indenture. In addition, if the Definitive Notes being exchanged or transferred contain a Legend, additional certifications to the effect that such exchange or transfer is in

compliance with the restrictions contained in such Legend, may be required. With respect to any transfer of a portion of a Definitive Note, the transferor will be entitled to receive, at any aforesaid office, 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.

(v) No service charge will be made for exchange or registration of transfer of any Note but the Trustee 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.

(vi) 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.

(vii) The Note Registrar will effect transfers of Global Notes and, along with the Transfer Agents, will effect exchanges and transfers of Definitive Notes. In addition, the Note Registrar will keep in the Note Register records of the ownership, exchange and transfer of any Note in definitive form.

(viii) The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, any transfer of beneficial interests in a Note represented by a Global Note to such persons may require that such interests in a Global Note be exchanged for Definitive Notes. 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 Note 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 Note be exchanged for Definitive Notes. Interests in a Global Note will be exchangeable for Definitive Notes only as described above.

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

(x) Because of time zone differences, cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a Regulation S Global Note by or through a Euroclear or Clearstream, Luxembourg 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, Luxembourg cash account only as of the business day following settlement in DTC.

(xi) DTC has advised the Co-Issuers that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Notes for exchange as described above) only at the direction of one or more Participants to whose account with the DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the Global Notes for Definitive Notes, legended as appropriate, which it will distribute to its Participants.

(xii) 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").

(xiii) Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in Global Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, 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, Luxembourg or their respective Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

(xiv) The Issuer may impose additional transfer restrictions to comply with the USA PATRIOT Act, to the extent it is applicable to the Issuer and, in such event, each holder of Notes will be required to comply with such transfer restrictions.

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 interest or Commitment Fee (a) on any Class A-1 Note or Class A-2 Note when the same becomes due and payable, (b) if there are no Class A-1 Notes or Class A-2 Notes Outstanding (and the Commitment Period Termination Date has occurred), on any Class B Note when the same becomes due and payable or (c) if there are no Class A-1 Notes, Class A-2 Notes or Class B Notes Outstanding (and the Commitment Period Termination Date has occurred), 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, five Business 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 five Business Days);

(iii) the failure on any Quarterly 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 two 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, five Business 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 or the Eligibility Criteria is not a default or breach) of the Issuer or the Co-Issuer under the Indenture 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 consecutive 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 or the Co-Issuer has actual knowledge thereof or after notice thereof to the Issuer by the Trustee or to the Issuer 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); or

(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 any Rating Agency 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.

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 Noteholders, the Collateral Manager, 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 (a) declare the principal of and accrued and unpaid interest on and Commitment Fee on all of the Notes to be immediately due and payable and (b) reduce the Aggregate Undrawn Amount of the Class A-1 Notes to zero. If an Event of Default described in clause (vi) above under "Events of Default" occurs, such an acceleration and reduction of Commitments 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 or Commitment Fee 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" means the Class A-1 Notes or, if there are no Class A-1 Notes outstanding (and the Commitment Period Termination Date has occurred), *then* the Class A-2 Notes or, if there are no Class A-2 Notes outstanding (and the Commitment Period Termination Date has occurred), *then* the Class B Notes or, if there are no Class B Notes outstanding (and the Commitment Period Termination Date has occurred), *then* the Class C Notes. "Default" means any Event of Default or any occurrence that, with notice or the lapse of time or both, would become an Event of Default.

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, interest (including interest upon the Class B Deferred Interest Amount and the Class C Deferred Interest Amount) and Commitment Fee and certain due and unpaid administrative expenses, and any accrued and unpaid amounts payable by the Issuer pursuant to any Hedge Agreement, including termination payments, if any (assuming, for this purpose, that a 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 (unless no early termination or liquidation payment, including any

accrued and unpaid amounts, would be owing by the Issuer to such Hedge Counterparty upon the termination thereof by reason of an event of default under the relevant Hedge Agreement with respect to the Issuer), 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 together with the Hedge Counterparties, 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 (including rescinding the acceleration of the Notes), 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) on the 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 (each with indemnity provisions) 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, consent or waiver, Notes owned by the Issuer, the Co-Issuer or any affiliate thereof shall be disregarded and deemed not to be outstanding.

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.

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 adversely affected thereby and a Majority-in-Interest of Preference Shareholders (if the Preference Shares are materially and adversely affected thereby) and (y) the consent of each Hedge Counterparty (to the

extent required pursuant to the terms of the related Hedge Agreement), 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 such Hedge Counterparty, 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 or a Majority-in-Interest of Preference Shareholders that such Class of Notes or Preference Shares, as the case may be, will be materially and adversely affected, the Trustee shall be entitled to rely on an opinion of Counsel as to whether or not such Class of Notes (including the interests therein of any person who has delivered notice of its interest in the Class A-1 Notes pursuant to the Indenture) would be adversely affected or Preference Shares would be materially and adversely affected by such change (after giving notice of such change to the holders of such Class of Notes and the Preference Shareholders). Such determination shall be conclusive and binding on all present and future holders of the Notes and Preference Shares.

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 (to the extent required pursuant to the terms of the related Hedge Agreement) if such supplemental indenture (i) changes the Stated Maturity of the principal of or the due date of any installment of interest or Commitment Fee on any Note, reduces the principal amount thereof or the rate of interest of rate of Commitment Fee 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, interest or Commitment Fee on the Notes, changes any place where, or the coin or currency in which, any Note or the principal thereof or interest or Commitment Fee 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), (ii) reduces the percentage in aggregate outstanding principal amount of holders of Notes of each Class 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, (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) reduces the percentage of the aggregate outstanding principal amount of holders of Notes of each Class whose consent is required 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, (vi) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of outstanding Notes whose holders' consent is required for any such 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, (vii) modifies the definition of the term "Outstanding" or the subordination provisions of the Indenture, (viii) changes the permitted minimum denominations of any Class of Notes or (ix) 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 or Commitment Fee 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. The Trustee may not enter into any supplemental indenture unless the Rating Condition shall have been satisfied with respect to such supplemental indenture.

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 any Hedge Counterparty 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 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) to obtain ratings on one or more Classes or Series of the Notes from any rating agency; (ix) to make administrative changes as the Co-Issuers deem appropriate and that do not materially and adversely affect the interests of any Noteholder, Preference Shareholder or Hedge Counterparty (x) to 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; or (xi) to accommodate the issuance of any Class or Series of Notes as Definitive Notes; *provided* that, in each such case, such supplemental indenture would not materially and adversely affect any holder of Notes or 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 or (ii) a Hedge Counterparty that such Hedge Counterparty will be materially and adversely affected, the Trustee may rely upon 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 or Preference Shareholder would be materially and adversely affected or such 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 such Hedge Counterparty). The Trustee shall not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition has not been satisfied; *provided* that the Trustee may, with the consent of the holders of 100% of the aggregate outstanding amount of Notes of each Class and the Hedge Counterparties, enter into any such supplemental indenture notwithstanding any such reduction or withdrawal of the ratings of any outstanding Class of Notes.

Modification of Certain Other Documents

Prior to entering into any amendment to the Account Control Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Class A-1 Note Purchase Agreement, the 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, each Hedge Counterparty and the Trustee with written notice of such waiver. 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 (other than the Controlling Class of Notes) 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 Controlling Class of 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, the Hedge Agreements, the Collateral Administration Agreement, the Administration Agreement and the Collateral Management Agreement.

Trustee

LaSalle Bank National Association will be the Trustee under the Indenture. The Co-Issuers 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 Quarterly 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 Holders of 66-2/3% of the Aggregate Outstanding Amount of Notes or at any time when an Event of Default shall have occurred and be continuing by a Holders of 66-2/3% of the Aggregate Outstanding Amount of Notes 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. If the Trustee shall resign or be removed, the Trustee shall also resign as Paying Agent, Calculation Agent, Registrar and any other capacity in which the Trustee is then acting pursuant to 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 Investor Application Forms, the Notes, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement, the Hedge Agreements, the Class A-1 Note Purchase Agreement, the Reimbursement Agreement and the Collateral Management Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Administration Agreement will be governed by, and construed in accordance with, the law of the Cayman Islands.

DESCRIPTION OF THE PREFERENCE SHARES

The Preference Shares will be issued pursuant to the Issuer Charter and in accordance with a Preference Share Paying Agency Agreement (the "Preference Share Paying Agency Agreement") between LaSalle Bank National Association, as preference share paying agent (in such capacity, the "Preference Share Paying Agent"), Walkers SPV Limited and the Issuer and will be subscribed to in accordance with the terms of the Investor Application Forms for Preference Shares. The following summary describes certain provisions of the Preference Shares, the Issuer Charter, the Preference Share Paying Agency Agreement and 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 Issuer Charter, the Preference Share Paying Agency Agreement and the Investor Application Forms for Preference Shares. Copies of the Issuer Charter, the Preference Share Paying Agency Agreement and the form of Investor Application Form for Preference Shares may be obtained by prospective investors upon request in writing to the Preference Share Paying Agent at 135 South LaSalle Street, Suite 1625, Chicago, Illinois 60603, Attention: CDO Trust Services Group – Lakeside CDO II, Ltd.

Status

The Issuer is authorized to issue 21,600 Preference Shares, par value U.S.$0.01 per share, at an issue price of U.S.$1,000 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 Quarterly 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 only 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 Quarterly Distribution Date on which any Class C Notes are outstanding, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders shall be limited to the amount sufficient to permit the Preference Shareholders to achieve an annualized Dividend Yield of 15% per annum on the aggregate liquidation preference of the Preference Shares. 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 Quarterly 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 will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent on each Quarterly Distribution Date for distribution to the Preference Shareholders on such Quarterly 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 will be solvent immediately following the date of such payment.

Distributions on any Preference Share will be made to the person in whose name such Preference Share is registered fifteen days prior to the applicable Quarterly 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 or at the New York office of the Preference Share Paying Agent.

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 either of the Coverage Tests is not satisfied on the Determination Date related to any Quarterly Distribution Date, Interest Proceeds that would otherwise be distributed to Preference Shareholders on the related Quarterly Distribution Date (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, if the Issuer is unable to obtain a Rating Confirmation from each relevant Rating Agency by the first Determination Date following the Ramp-Up Completion Date, funds that would otherwise be distributed to the Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used to redeem the Notes to the extent necessary (after the application of Uninvested Proceeds for such purpose) to obtain a Rating Confirmation from each Rating Agency. See "Description of the Notes—Priority of Payments".

In addition, (a) on each Quarterly Distribution Date to the extent that the Preference Shareholders have received an annualized Dividend Yield of 15% per annum on such date, if the Class C Notes have not been redeemed in full, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay principal of the Class C Notes until such Class of Notes has been paid in full. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds".

Optional Redemption of the Preference Shares

On any Quarterly Distribution Date on or after the Quarterly 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 Quarterly 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.$1.00 per share divided by (y) the number of Preference Shares.

The Issuer Charter

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

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 covenants made by each Preference Shareholder in the Investor Application Forms for Preference Shares (in the case of initial purchasers of the Preference Shares) and in the transfer certificates (in the case of transferees of the Preference Shares), the Issuer Charter 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 Preference Shares: On any Quarterly Distribution Date on or after the Quarterly 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 of the Preference Shares".

The Interest Rate Hedge Agreement: Subject to satisfaction of the Rating Condition with respect to such reduction, the Issuer may, on any Quarterly Distribution Date, reduce the notional amount of any interest rate swap or cap outstanding under the Interest Rate 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 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 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 Preference Shareholders whose Voting Percentages equal 100% of the Voting Percentages of all Preference Shareholders if such supplemental indenture would have the effect of (i) amending the manner in which the proceeds of the Collateral are applied on any Quarterly Distribution Date (including by amending any provision of the Priority of Payments or the manner in which principal of and interest or Commitment Fee 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 Paying Agency Agreement: The Issuer is not permitted to consent to any amendment of the Preference Share Paying Agency Agreement without the consent of Preference Shareholders whose Voting Percentages equal 100% of the Voting Percentages of all Preference Shareholders 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 Paying Agency Agreement that requires the consent the Preference Shareholders.

Modification of the Issuer Charter

As a general matter of Cayman Islands law, the Issuer Charter may be amended at any time by at least a Special-Majority-in-Interest of Preference Shareholders. However, each initial purchaser of Preference Shares will be required to represent and agree in an Investor Application Form for Preference Shares (and each transferee of Preference Shares will be required to covenant in a transfer certificate) that any modification of the Issuer Charter will require the affirmative vote of 100% of the Voting Percentages of all Preference Shareholders. 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 Issuer Charter provides that the Issuer will be wound up on the earliest to occur of (i) at any time on or after the date that is one year and two days after the Stated Maturity of the Notes, upon the Shareholders' determination to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the Shareholders' determination to dissolve the Issuer, (iii) at any time after the Notes are paid in full, upon the Shareholders' determination to dissolve the Issuer and (iv) on the date of a winding up pursuant to the provisions of or as contemplated by the Companies Law of the Cayman Islands as then in effect. The Directors of the Issuer currently intend, in the event that the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders following the repayment in full of the Notes, to liquidate all of the Issuer's remaining investments in an orderly manner and distribute the proceeds of such liquidation to the Preference Shareholders. However, there can be no assurance that the Notes will be repaid before their Stated Maturity. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors -- Average Life and Prepayment Considerations".

As soon as practicable following the dissolution of the Issuer, its affairs will be wound up and its assets sold or distributed. Subject to the terms of the Indenture and Cayman Islands law, the assets of the Issuer shall be applied in the following order of priority:

(1) *first*, to pay the costs and expenses of the winding up, liquidation and termination of the Issuer;

(2) *second*, to creditors of the Issuer, in the order of priority provided by law;

(3) *third*, to establish reserves adequate to meet any and all contingent, unliquidated liabilities or obligations of the Issuer, *provided* that at the expiration of a period not exceeding three years after the final liquidation distribution, the balance of such reserves remaining after the payment of such contingencies or liabilities shall be distributed in the manner described herein;

(4) *fourth*, to pay the Preference Shareholders a sum equal to the aggregate liquidation preferences of the Preference Shares;

(5) *fifth*, to pay the holders of the ordinary shares the nominal amount paid up thereon and the sum of U.S.$1.00 per ordinary share; and

(6) *sixth*, to pay to the Preference Shareholders the balance remaining.

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 required to covenant in an Investor Application Form (and each transferee of Preference Shares will be required to covenant in a transfer certificate) 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 Paying Agency Agreement and the Investor Application Forms will be governed by, and construed in accordance with, the law of the State of New York. The Issuer Charter 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:

"IRR" means an annualized internal rate of return on the Preference Shares, calculated using the "XIRR" function in Microsoft Excel 2000, or an equivalent function in another software package. The "IRR" will, as of any date, be equal to the per annum discount rate at which the sum of the following cashflows is equal to zero (assuming discounting on a quarterly basis as of each Quarterly Distribution Date on the basis of a 365 day year and actual days elapsed), calculated from the Closing Date: (1) the original aggregate liquidation preference of the Preference Shares issued on the Closing Date (which will be deemed to be negative for purposes of this calculation) and (2) the amount of each distribution, if any, on the Preference Shares on each Quarterly Distribution Date (which will be deemed to be positive for such purposes).

"Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders whose aggregate Voting Percentages at such time exceed 50% of all Preference Shareholders' Voting Percentages at such time.

"Master Forward Sale Agreement" means the Master Forward Sale Agreement dated as of the Closing Date between Merrill Lynch International and the Issuer.

"Preference Share Redemption Date Amount" means, in respect of any Quarterly Distribution Date, the amount required (after taking into account any dividends or other distributions made or to be made to the holders of the Preference Shares on such Quarterly Distribution Date and all prior Quarterly Distribution Dates in accordance with the Priority of Payments) to ensure that, after distribution of such amount to the Preference Shareholders, such Preference Shareholders shall have received an IRR of not less than 6% per annum on the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date.

"Reg Y Institution" means any Preference Shareholder that is, or is controlled by a person that is, subject to the provisions of Regulation Y of the Board of Governors of the Federal Reserve System of the United States or any successor to such regulation, but excludes, in any event, (a) any "qualifying foreign banking organization" within the meaning of Regulation Y of the Board of Governors of the Federal Reserve System (12 C.F.R. Section 211.23) that has booked its investment in the Preference Shares outside the United States and (b) any financial holding company or subsidiary of a financial holding company authorized to engage in merchant banking activities pursuant to Section 4(k)(4)(H) of the Bank Holding Company Act of 1956, as amended.

"Special-Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders whose aggregate Voting Percentages at such time exceed 66-2/3% of all Preference Shareholders' Voting Percentages at such time.

"Voting Factor" means, at any time, a number obtained by (a) calculating the percentage obtained by multiplying 4.99% by the number of Reg Y Institutions (each, a "Voting Constrained Shareholder") as to which the ratio (expressed as a percentage) of the number of Preference Shares held by such Reg Y Institution at such time divided by the aggregate number of Preference Shares held by all Preference Shareholders at such time exceeds 4.99% (or would, after giving effect to the calculation of the "Voting Factor" for each Preference Shareholder, exceed 4.99% in the absence of (x) this parenthetical and (y) the provision in the definition of "Voting Percentage" limiting the Voting Percentage of a Reg Y Institution to 4.99%), (b) subtracting the percentage obtained in clause (a) above from 100% and (c) dividing the percentage obtained in clause (b) above by the percentage obtained by dividing (i) the aggregate number of Preference Shares held by all Preference Shareholders other than Voting Constrained Shareholders by (ii) the aggregate number of Preference Shares held by all Preference Shareholders; *provided* that, for the purposes of this definition and the definitions of "Voting Percentage" and "Voting Preference Shares", any Preference Shares owned by the Issuer, the Co-Issuer or any other obligor upon the Notes or any Affiliate thereof will be disregarded and deemed not to be outstanding.

"Voting Percentage" means, in respect of a Preference Shareholder at any time, (a) for any Preference Shareholder which is a Reg Y Institution, the lesser of (i) 4.99% and (ii) a percentage equal to the number of Preference Shares held by such Reg Y Institution at such time multiplied by the Voting Factor at such time divided by the aggregate number of Preference Shares held by all Preference Shareholders at such time and (b) for any Preference Shareholder other than a Reg Y Institution, a percentage equal to the number of Preference Shares held by such Preference Shareholder at such time multiplied by the Voting Factor at such time divided by the aggregate number of Preference Shares held by all Preference Shareholders at such time.

"Voting Preference Shares" means, at any time, the number of Preference Shares equal to the Voting Percentage of such Preference Shareholder at such time multiplied by the aggregate number of Preference Shares held by all Preference Shareholders at such time.

Form, Registration and Transfer

General

(i) 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") 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 and warrant

in a transfer certificate (in the case of the Regulation S Definitive Preference Shares) or be deemed to represent and warrant (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. 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. Any purchaser of Preference Shares issued on the Closing Date, with the consent of the Initial Purchasers, in a number less than the minimum trading lot will be required to hold Regulation S Definitive Preference Shares.

(ii) The Preference Shares will be subject to the restrictions on transfer set forth in this Offering Circular under "Transfer Restrictions". 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 holders of Definitive Preference Shares who, with the consent of the Initial Purchasers, purchased less than 250 Preference Shares on the Closing Date, and any subsequent holders of such Preference Shares, may transfer all (but not some) of the Definitive Preference Shares held by them notwithstanding the minimum ownership requirement.

(iii) LaSalle Bank National Association has been appointed as transfer agent with respect to the Preference Shares (the "Preference Share Paying Agent").

(iv) The Preference Shares are not issuable in bearer form.

(v) The Administrator has been appointed as Preference Share Registrar (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 Paying Agent.

(vi) The Issuer is authorized to issue (a) 21,600 Preference Shares, par value U.S.$0.01 per share, having a liquidation preference of U.S.$1,000 per share.

Transfer and Exchange

(i) 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 Registrar of written certifications from each of the transferor and the transferee of such beneficial interest in the form provided in the Preference Share Paying Agency Agreement to the effect that, among other things, such transfer is being made (a) 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 (b) in accordance with all other applicable securities laws of any relevant jurisdiction.

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.

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 Registrar of written certification from each of the transferor and transferee in the form provided in the Preference Share Paying 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 Shares may be exchanged or transferred in whole or in part in numbers not less that 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 Paying 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 liquidation 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 or 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.

(ii) No Reg Y Institution may transfer any Preference Shares held by it to any person other than (a) a person or group of persons under common control that controls the Issuer without reference to any Preference Shares transferred to such person or group by such Reg Y Institution (a "Controlling Party"), (b) a person or persons designated by a Controlling Party, (c) in a widespread public distribution as part of a public offering, (d) in amounts such that, after giving effect thereto, no single transferee and its affiliates will hold more than 2% of the aggregate number of Preference Shares (including all options, warrants and similar rights exercisable or convertible into Preference Shares) or (e) as otherwise permitted by applicable U.S. Federal banking law and regulations. See "Transfer Restrictions".

(iii) After the Closing Date, no Preference Share may be transferred to a Benefit Plan Investor and none of the Issuer, the Preference Share Paying Agent or the Preference Share Registrar will recognize any such transfer. See "Transfer Restrictions".

(iv) No service charge will be made for exchange or registration of transfer of any Preference Share but the Preference Share Paying 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.

(v) The Preference Share Paying Agent will effect exchanges and transfers of Preference Shares. All Preference Shares issued upon any exchange or registration of transfer are entitled to the same benefits as the Preference Shares surrendered upon exchange or registration of transfer.

(vi) In addition, the Preference Share Registrar will keep 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.

(vii) The Issuer may impose additional transfer restrictions to comply with the USA PATRIOT Act, to the extent it is applicable to the Issuer and any applicable anti-money laundering legislation in the Cayman Islands and, in such event, each holder of Preference Shares will be required to comply with such transfer restrictions.

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.

USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Offered Securities will be approximately U.S.$1,500,000,000 (after giving effect to all Borrowings under the Class A-1 Notes after the Closing Date) and the anticipated gross proceeds as of the Closing Date will be approximately U.S.$400,000,000. The net proceeds from the issuance and sale of the Offered Securities are expected to be approximately U.S.$1,495,000,000, which reflects the payment from such gross proceeds of 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 Collateral Manager and the Initial Purchasers), the expenses, fees and commissions incurred in connection with the acquisition of the Collateral Debt Securities for inclusion in the Collateral on or prior to the Closing Date, the expenses of offering the Offered Securities (including fees payable to the Initial Purchasers in connection with the offering of the Offered Securities) and the initial deposit into the Expense Account. Such net proceeds will be used by the Issuer to purchase a diversified portfolio of interests in (a) certain Asset-Backed Securities and (b) Synthetic Securities the Reference Obligations that, in each case, satisfy 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.$400,000,000. The Issuer expects that, no later than October 4, 2004, it will have purchased Collateral Debt Securities having an aggregate Principal Balance of approximately U.S.$1,500,000,000. Any such proceeds not invested in Collateral Debt Securities or deposited into the Expense Account or the Interest Reserve Account 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 during the Ramp-Up Period, as described herein, and, in certain limited circumstances described herein, for the payment of the Notes. 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-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and "AAA" by Fitch Ratings ("Fitch", and together with Moody's and Standard & Poor's, the "Rating Agencies"), that the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Fitch, that the Class B Notes be rated "A3" by Moody's, " A-" by Standard and Poor's and "A-" by Fitch and that the Class C Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch. The ratings of the Notes address the timely payment of interest and ultimate payment of principal on the Class A-1 Notes and Class A-2 Notes and the ultimate payment of interest and principal on the Class B Notes and Class C Notes. 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 Issuer will request that each Rating Agency confirm to the Issuer 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 by the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), on the first Quarterly Distribution Date following the Ramp-Up Completion Date the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Notes in full, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Notes in full, Principal Proceeds, in each case in accordance with the Priority of Payments, to the payment of principal of, at the option of the Collateral Manager on behalf of the Issuer (1) *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 specified by each relevant Rating Agency in order to obtain a Rating Confirmation or (2) each Class of Notes in any order and amount as proposed by the Collateral Manager on behalf of the Issuer and agreed to by means of a Rating Confirmation. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments".

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes is January 2, 2040. 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. Assuming (a) no Collateral Debt Securities default or are sold, (b) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms, (c) all outstanding Notes are redeemed on the Quarterly Distribution Date occurring in October 2012, (d) 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 1.1625%, (e) the average life of the Class A-1 Notes would be approximately 5.5 years from the Closing Date, (f) the average life of the Class A-2 Notes would be approximately 8.5 years from the Closing Date, (g) the average life of the Class B Notes would be approximately 8.5 years from the Closing Date, (h) the average life of the Class C Notes would be approximately 8.3 years from the Closing Date and (i) the Macaulay duration of the Preference Shares would be approximately 5.27 years. Such average lives of the Notes and the Macaulay duration of the Preference Shares are presented for illustrative purposes only. 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, reinvestments, 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 with limited liability and registered on March 5, 2004 in the Cayman Islands pursuant to the Issuer Charter, has a registered number of 133,479 and is in good standing under the laws of the Cayman Islands. The registered office of the Issuer is at the offices of Walkers SPV Limited, Walker House, Mary Street, P.O. Box 908GT, George Town, Grand Cayman, Cayman Islands. The Issuer has no prior operating experience and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Notes, the Issuer's obligations under the Hedge Agreements and Collateral Management 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 on trust for charitable purposes by Walkers SPV Limited in the Cayman Islands (in such capacity, the "Share Trustee") under the terms of a declaration of trust) and (b) 21,600 Preference Shares, par value U.S.$0.01 per share, having a liquidation preference of U.S.$1,000 per share.

It is proposed that the Issuer will be liquidated on the date that is one year and two days after the Stated Maturity of the Notes, unless earlier dissolved and terminated in accordance with the terms of the Issuer Charter. See "Description of the Preference Shares—Issuer Charter—Dissolution; Liquidating Distributions".

The Co-Issuer was incorporated on March 9, 2004 under the law of the State of Delaware with the state identification number 3774526 and its registered office is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The sole director and officer of the Co-Issuer is Donald J. Puglisi and he may be contacted at c/o 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 Purchasers or any of their respective affiliates or any directors or officers of the Co-Issuers.

Walkers SPV 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 Administrator will be subject to the overview of the Board of Directors of the Issuer. The directors of the Issuer are David Egglishaw, Derrie Boggess and John Cullinane, each of whom is a director or officer of the Administrator and each of whose offices are at Walkers SPV Limited, Walker House, P.O. Box 908 GT, Mary Street, George Town, Grand Cayman, Cayman Islands. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 30 days' written notice, in which case a replacement Administrator would be appointed.

The Administrator's principal office is at Walkers SPV Limited, Walker House, P.O. Box 908 GT, Mary Street, George Town, Grand Cayman, Cayman Islands.

Capitalization and Indebtedness of the Issuer

The capitalization of the Issuer after giving effect to the issuance of the Offered Securities (assuming the Commitments on the Class A-1 Notes have been fully drawn) 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.$1,170,000,000
Class A-2 Notes	U.S.$279,900,000
Class B Notes	U.S.$15,000,000
Class C Notes	U.S.$15,000,000
Total Debt	U.S.$1,479,900,000
Ordinary Shares	U.S.$1,000
Preference Shares	U.S.$21,600,000
Total Equity	U.S.$21,601,000
Total Capitalization	U.S.$1,501,501,000

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 21,600 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, 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 and the Issuer Charter provide that the activities of the Issuer are limited to (i) the issuance of the Notes and the Preference Shares, (ii) the acquisition and disposition of, and investment and reinvestment in, Collateral Debt Securities, Equity Securities and Eligible Investments, (iii) the entering into, and the performance of its obligations under the Indenture, the Notes, the Class A-1 Note Purchase Agreement, the Purchase Agreement, the Investor Application Forms, the Account Control Agreement, the Preference Share Paying Agency Agreement, the Hedge Agreements, the Collateral Assignment of the Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Master Forward Sale Agreement, the Class A-2 Agency and Amending Agreement, the Broker Dealer Agreement, the Class A-2 Account Control Agreement and the Reimbursement Agreement, (iv) the pledge of the Collateral as security for its obligations in respect of (inter alia) the Notes, (v) the ownership and management of the Co-Issuer and (vi) certain activities conducted in connection with the payment of amounts in respect of the Offered Securities, the management of the Collateral and other incidental activities.

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 Collateral securing the Notes will consist of: (a) the Custodial Account, the Collateral Debt Securities and the Equity Securities, (b) the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Interest Reserve Account, the Semi-Annual Interest Reserve Account, each Hedge Counterparty Collateral Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account, all funds and other property standing to the credit of each such account, Eligible Investments purchased with funds standing to the credit of each such account and all income from the investment of funds therein, (c) the rights of the Issuer under each Hedge Agreement, (d) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Investor Application Forms and the Class A-1 Note Purchase Agreement, (e) all cash delivered to the Trustee and (f) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral"). The security interest granted under the Indenture in each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account.

Collateral Debt Securities

"CDO Obligation" means an Asset-Backed Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of commercial and industrial bank loans, obligations and debt securities subject to specified investment and management criteria.

"Collateral Debt Security" (i) any CDO Obligation, (ii) any Other ABS, (iii) any Corporate Debt Security, (iv) any Synthetic Security the Reference Obligation(s) of which, and any Deliverable Obligation under which, (1) is a CDO Obligation or Other ABS that would qualify to be included as a Collateral Debt Security hereunder if purchased directly by the Issuer or (2) is a specified pool of financial assets, either static or revolving, that by their terms convert into cash within a finite time period, or (v) any Deliverable Obligation.

"Corporate Debt Security" means a CDO Obligation or Other ABS guaranteed as to ultimate or timely payment of principal or interest, including a CDO Obligation or Other ABS guaranteed by a monoline financial insurance company.

"Other ABS" means (i) an Asset-Backed Security (other than a CDO Obligation) 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 subject to specified acquisition or investment and management criteria or (ii) a beneficial interest in a trust all of the assets of which would satisfy the Eligibility Criteria.

"Synthetic Security" means any swap transaction, credit-linked note, credit derivative, structured bond investment or other investment purchased from, or entered into by the Issuer with, a Synthetic Security Counterparty which investment contains a probability of default, recovery upon default and expected loss characteristics closely correlated to one or more Reference Obligations (or expected loss characteristics corresponding to losses incurred above and/or below specified thresholds with respect to the entire pool of Reference Obligations), but which may provide for a different maturity, interest rate or other non-credit characteristics than such Reference Obligation(s); provided that (a) such Synthetic Security shall not provide for any payment by the Issuer after the date on which it is pledged to the Trustee unless such security is a Defeased Synthetic Security, (b) such Synthetic Security terminates upon the redemption or repayment in full of all such Reference Obligation(s), (c) such Synthetic Security has a Rating, the Rating Condition (not including a written confirmation by Fitch) has been satisfied or such Synthetic Security is a Form Approved Synthetic Security, and the Trustee has been notified in writing of the Applicable Recovery Rate assigned by each Rating Agency and, in the case of Moody's, the Moody's Rating Factor assigned by Moody's, (d) no amount receivable by the Issuer from the Synthetic Security Counterparty will be subject to withholding tax, unless the Synthetic Security Counterparty is required to make additional payments sufficient to cover any withholding tax imposed at any time or payments made by the Issuer with respect thereto; (e) the acquisition (including the manner of acquisition), holding, disposition and enforcement, of such Synthetic Security will not subject the Issuer to taxation on a net income tax basis in any jurisdiction outside of its jurisdiction of incorporation or cause the Issuer to be treated as engaged in a trade or business within the United States for

U.S. Federal income tax purposes; (f) the agreements relating to such Synthetic Security contain "non-petition" and "limited recourse" provisions with respect to the Issuer and (g) the agreement relating to such Synthetic Security provide for, on the first day of each payment period under such Synthetic Security, the full payment of all amounts owing for such period by the Synthetic Security Counterparty to the Issuer into the Synthetic Security Issuer Account.

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

Eligibility Criteria

Uninvested Proceeds may be invested in a CDO Obligation, Other ABS, Corporate Debt Security or Synthetic Security during the Ramp-Up Period if, after giving effect to such investment, each of the following criteria (the "Eligibility Criteria") is satisfied with respect to such security:

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 (x) is organized or incorporated under the law of the United States or a State thereof or in a Special Purpose Vehicle Jurisdiction or (y) is a Qualifying Foreign Obligor;
Dollar denominated	(3) such security is denominated and payable only in Dollars and may not be converted into a security payable in any other currency;
Fixed principal amount; No Interest Only Securities	(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) such security (A) has been assigned a Moody's Rating, a Standard & Poor's Rating and a Fitch Rating and (B) the Moody's Rating of such security is at least "A3" **provided** that the aggregate Principal Balance of all Pledged Collateral Debt Securities that have a public rating of below "Aaa" by Moody's (if publicly rated by Moody's), "AAA" from Standard & Poor's (if publicly rated by Standard & Poor's) or "AAA" by Fitch (if publicly rated by Fitch) does not exceed 55% of the Net Outstanding Portfolio Collateral Balance and the Aggregate Principal Balance of all Pledged Collateral Debt Securities that have a public rating of "Aa3" by Moody's (if publicly rated by Moody's), "AA-" from Standard & Poor's (if publicly rated by Standard & Poor's) or "AA-" by Fitch (if publicly rated by Fitch) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;
Registered form	(6) such security is in registered form for U.S. Federal income tax purposes and was issued after July 18, 1984, *provided* that an interest in a trust treated as a grantor trust for U.S. Federal income tax purposes will not be treated as in registered form unless each of the obligations or securities held by such trust was issued after that date;
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;

a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation;

Does not subject Issuer to Investment Company Act restrictions

(9) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such security will not cause the Issuer or the pool of Collateral to become an investment company required to be registered under the Investment Company Act;

ERISA

(10) 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;

Manner of Acquisition

(11) (A) such security, for U.S. Federal income tax purposes, is (i) debt, (ii) issued only by one or more corporations, (iii) issued only by persons not engaged in a trade or business within the United States or (iv) issued only by a grantor trust all the assets of which satisfy this paragraph (A); and

(B) unless such security is a Synthetic Security, either the Issuer (including any person purchasing on behalf of the Issuer) did not acquire or commit to acquire the security from (a) the obligor or issuer, (b) any seller that had not purchased and at least partially funded the security or (c) the Collateral Manager, an Affiliate thereof or any account or portfolio for which any such person serves as investment advisor; or

(1) if the Issuer acquired or committed to acquire the security from the obligor or issuer or before it was issued and at least partially funded, then the purchase price was fixed at the time of any commitment to purchase and such commitment was subject to there being no material adverse change in the condition of the obligor or issuer or in the financial markets, and either:

(x) the obligation or security was issued pursuant to an effective registration statement under the Securities Act in an underwriting or placement where none of the Collateral Manager or any Affiliate thereof acted as an underwriter or placement agent; or

(y) the obligation or security was privately placed under Rule 144A promulgated under or Section 4(2) of the Securities Act and:

(I) the Collateral Manager and its employees did not participate in the placement as placement agent or underwriter or participate in negotiating or structuring the terms of the obligation or security (other than to comment on offering documents to an unrelated underwriter or placement agent where the ability to comment was generally available to investors and to undertake due diligence of the kind customarily performed by investors in securities); or

(II) the Collateral Manager and its Affiliates did not (i) participate in negotiating or structuring the terms of the obligation or security (other than to comment on offering documents to an unrelated underwriter or placement agent where the ability to comment was generally available to investors and to undertake due diligence of the kind customarily performed by investors in securities) or (ii) acquire more than 33% of the aggregate principal amount of such obligations or securities or any

other class of obligations or securities offered by the obligor or issuer in the same or any related offering (unless persons unrelated to the Collateral Manager and its Affiliates purchased more than 50% of the aggregate principal amount of such obligations or securities or such class at substantially the same time and on substantially the same terms as the Issuer purchases); and

(2) if the Issuer did not acquire or commit to acquire the security before it was issued and at least partially funded, the seller (x) acquired the security in a way which would have satisfied the requirements of this paragraph (B) (applied as if such person were the Collateral Manager), or (y) 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, held the obligation or security for at least 90 days and during that period did not commit to sell or identify the obligation or security as intended for sale to the Issuer;

No Defaulted Securities, Written Down Securities or PIK Bonds

(12) such security is not a Defaulted Security, a Credit Risk Security, a Written Down Security or a PIK Bond;

Limitation on stated final maturity; purchase price; Average Life

(13) (A) such security does not have a Stated Maturity that occurs later than the Stated Maturity of the Notes (except that the Issuer may acquire a Collateral Debt Security having a Stated Maturity not later than five years after the Stated Maturity of the Notes so long as the aggregate Principal Balance of all such Collateral Debt Securities does not exceed 4% of the Net Outstanding Portfolio Collateral Balance) and (B) the purchase price of such security is not less than 75% of its outstanding principal balance;

No foreign exchange controls

(14) 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

(15) such security is not, and any Equity Security acquired in connection with such security is not, Margin Stock;

No debtor-in-possession financing

(16) such security is not a financing by a debtor-in-possession in any insolvency proceeding;

No optional or mandatory conversion or exchange

(17) 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 the holder thereof or otherwise) into equity capital at any time prior to its maturity;

Not subject to an Offer or called for redemption

(18) such security is not the subject of an Offer and has not been called for redemption;

No future advances

(19) such security is not a security with respect to which the Issuer is required by the Underlying Instruments to make any payment or advance to the issuer thereof or to the related Synthetic Security Counterparty (other than a Defeased Synthetic Security);

Fixed rate Securities

(20) if such security (including any Single Obligation Synthetic Security as to which the Reference Obligation) is a fixed rate security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 20% of the Net Outstanding Portfolio Collateral Balance;

Floating rate securities

(21) if such security (including any Single Obligation Synthetic Security as to which the Reference Obligation) is a floating rate security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 90% of the Net Outstanding Portfolio Collateral Balance;

Pure Private Collateral Debt Securities

(22) if such security (including any Single Obligation Synthetic Security as to which the Reference Obligation) is a Pure Private Collateral Debt Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Corporate guarantees and Corporate Debt Securities

(23) if such security (including any Single Obligation Synthetic Security as to which the Reference Obligation) is a Corporate Debt Security or such security is guaranteed as to ultimate or timely payment of principal or interest, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

Issuer Concentration

(24) with respect to the particular issuer of the Collateral Debt Security being acquired, the aggregate Principal Balance of all Collateral Debt Securities issued by such issuer is not greater than 2% of the Net Outstanding Portfolio Collateral Balance. For purposes of this paragraph (24), any issuers Affiliated with one another will be considered one issuer (other than issuers that are Affiliated solely by reason of common ownership by a Financial Sponsor);

Single issue

(25) with respect to the particular Issue of the Collateral Debt Security being acquired, the aggregate Principal Balance of all Pledged Collateral Debt Securities that are part of the same Issue (together with the aggregate Principal Balance of any Single Obligation Synthetic Securities related thereto) does not exceed 2% of the Net Outstanding Portfolio Collateral Balance; provided that for any Issue which has a Moody' Rating of below "Aa3", a Standard & Poor's rating of below "AA-" or a Fitch Rating of below "AA-", the Aggregate Principal Balance of Collateral Debt Securities from such Issue that has a Moody' Rating of below "Aa3", a Standard & Poor's rating of below "AA-" or a Fitch Rating of below "AA-" will not be greater than 1% of the Net Outstanding Portfolio Collateral Balance;

Single Servicer

(26) with respect to the Servicer of the security being acquired:

(A) if the senior unsecured long-term obligations of such Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) are rated (x) "Aa3" or higher by Moody's, (y) "AA-" or higher by Standard & Poor's or (z) "AA-" or "S1" or higher by Fitch, the aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligations of which are such securities) does not exceed 15% of the Net Outstanding Portfolio Collateral Balance;

(B) if the senior unsecured long-term obligations of such Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) is rated (x) "A3" or higher but below "Aa3" by Moody's (and is not rated at least "AA-" by Standard & Poor's or at least "AA-" or "S1" by Fitch) or (y) "A-" or higher or "Strong" but below "AA" by Standard & Poor's (and not rated at

least "Aa3" by Moody's or at least "AA-" or "S1" by Fitch) or (z) "A-" or "S2" or higher but below "AA-" or "S1" by Fitch (and is not rated at least "AA-" by Standard & Poor's or at least "Aa3" by Moody's), the aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligations of which are such securities) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

(C) if the senior unsecured long-term obligations of such Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) are not ranked "Strong" by Standard & Poor's, the aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligation of which are such securities) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance; and

(D) if the senior unsecured long-term obligations of such Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) are not rated or are rated (x) below "A3" by Moody's, (y) below "A-" by Standard & Poor's or (z) below "A-" or "S2" by Fitch (and does not satisfy the requirements of (A) or (B) above with respect to this clause (26)), the aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligation of which are such securities) does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance;

Synthetic Securities

(27) if such security is a Synthetic Security, then (A) such Synthetic Security is acquired from a Synthetic Security Counterparty, with a rating, on the date of such Grant, of at least "AA" by Standard & Poor's or a short-term issuer credit rating from Standard & Poor's of at least "A-1", with a long-term unsecured debt rating from Moody's of at least "Aa2" or a short-term unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" and, if rated by Fitch, with a short-term issuer credit rating from Fitch of at least "F1" or, if there is no such short-term credit rating from Fitch, a senior unsecured debt rating from Fitch of at least "AA", or such Synthetic Security Counterparty's selection satisfies the Rating Condition, (B) the aggregate Principal Balance of all Pledged Collateral Debt Securities constituting Synthetic Securities acquired from any single Synthetic Security Counterparty and its Affiliates does not exceed 15% of the Net Outstanding Portfolio Collateral Balance, (C) if such Synthetic Security is a Defeased Synthetic Security, such security meets the definition of Defeased Synthetic Security, (D) the Aggregate Principal Balance of all Pledged Collateral Debt Securities constituting Synthetic Securities which are credit-linked notes acquired from any single Synthetic Security Counterparty and its Affiliates does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance, (E) the Rating Condition has been satisfied with respect to the acquisition of such Synthetic Security or it is a Form Approved Synthetic Security (and each of Moody's, Standard & Poor's and Fitch has assigned an Applicable Recovery Rate to such Synthetic Security, Standard & Poor's has assigned a Rating or credit estimate and there has been a Moody's Rating Factor assigned by Moody's), (F) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Synthetic Securities does not exceed 15% of the Net Outstanding Portfolio Collateral Balance and (G)(i) the Reference Obligation to which such Synthetic Security relates would (treating the acquisition of the Synthetic Security as acquisition of the Reference Obligation from the Synthetic Security Counterparty) satisfy clauses (7), (8) and (11) of the Eligibility Criteria or (ii) the Issuer and the Trustee receive an opinion of nationally recognized U.S. tax counsel to the effect that such Synthetic Security satisfies clauses (7), (8) and (11) of the Eligibility Criteria;

CDO Obligations

(28) if such security (including any Single Obligation Synthetic Security as to which the Reference Obligation) is a CDO Obligation, (A) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are CDO Obligations does not exceed 50% of the Net Outstanding Portfolio Collateral Balance and (B) no such CDO Obligation is a CDO Obligation which entitles the holders thereof to receive payments that depend primarily on other CDO Obligations (except that the Issuer may acquire a Collateral Debt Security that is a CDO Obligation entitling the holders thereof to receive payments that depend primarily on other CDO Obligations so long as the aggregate Principal Balance of all such Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance);

Synthetic CDO Obligations

(29) if such security is a Single Obligation Synthetic Security related to a CDO Obligation, then the aggregate Principal Balance of all Pledged Collateral Debt Securities constituting Synthetic Securities related to a CDO Obligation is not greater than 10% of the Net Outstanding Portfolio Collateral Balance;

Floating CMO Obligations

(30) if such security is a collateralized mortgage obligation that is a Floating Rate Security, then such security shall not have a cap on its interest rate which is lower than 7.5% per annum and the aggregate Principal Balance of all Pledged Collateral Debt Securities constituting collateralized mortgage obligations that are Floating Rate Securities is not greater than 5% of the Net Outstanding Portfolio Collateral Balance;

Frequency of Interest Payments

(31) (A) such security provides for periodic payments of interest in Cash not less frequently than semi-annually and (B) if such security provides for periodic payments of interest in Cash less frequently than quarterly, the aggregate Principal Balance of all Pledged 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 10% of the Net Outstanding Portfolio Collateral Balance;

Step-Down Bonds/Step-Up Bonds

(32) (A) if such security (including any Synthetic Security as to which the Reference Obligation) is a Step-Down Bond, the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Step-Down Bonds does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; and (B) if such security (including any Synthetic Security as to which the Reference Obligation) is a Step-Up Bond, the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Step-Up Bonds does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Backed by obligations of Non-U.S. Obligors

(33) the Aggregate Attributable Amount of all Collateral Debt Securities (including all Single Obligation Synthetic Securities as to which their respective Reference Obligations are) related to (A) obligors organized outside the United States of America, the United Kingdom and Canada does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (B) obligors organized in the United Kingdom does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (C) obligors organized in Canada does not exceed 19% of the Net Outstanding Portfolio Collateral Balance, (D) Qualifying Foreign Obligors organized in any other jurisdiction does not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance, (E) Emerging Market Issuers is zero and (F) obligors (other than Qualifying Foreign Obligors, Emerging Market Issuers and obligors organized in the United States) organized in any other jurisdiction does not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance; and

Collateral Quality Tests

(34) (A) each of the applicable Collateral Quality Tests is satisfied or, if immediately prior to such acquisition one or more of such Collateral Quality Tests was not satisfied, the extent of non-compliance with such Collateral Quality Tests may not be made worse (except to the extent that a reduction in the extent of compliance does not result in non-compliance) and (B) after the Ramp-Up Completion Date, the Standard & Poor's CDO

Monitor Test is satisfied or, if immediately prior to such investment the Standard & Poor's CDO Monitor Test was not satisfied, the result is closer to compliance and the Issuer shall have promptly delivered to the Trustee, the Noteholders and Standard & Poor's an Officer's certificate specifying the extent to which the Standard & Poor's CDO Monitor Test was not satisfied.

If during the Ramp-Up Period, the Issuer has made a commitment to acquire a security, then the Eligibility Criteria need not be satisfied when the Issuer Grants such security to the Trustee if (A) the Issuer acquires such security within 30 days of making the commitment to acquire such security and (B) the Eligibility Criteria were satisfied immediately after the Issuer made such commitment. If the Issuer enters into a transaction during the Ramp-Up Period to acquire a security on a forward sale basis pursuant to the Master Forward Sale Agreement, then, notwithstanding anything in the Indenture to the contrary (including the Eligibility Criteria), such security may be acquired by the Issuer on any date during the Ramp-Up Period at the price specified in the Master Forward Sale Agreement so long as the Eligibility Criteria were satisfied on the date such transaction was entered into by the Issuer. With respect to paragraph (13) and paragraphs (20) to (33) above, if any requirement set forth therein is not satisfied immediately prior to the acquisition of the related securities, such requirement is deemed satisfied if the extent of non-compliance with such requirement is not made worse after giving effect to such acquisition (except to the extent that a reduction in the extent of compliance does not result in non-compliance).

"Aggregate Attributable Amount" means, with respect to any specified Collateral Debt Security and issuers incorporated or organized under the laws of any specified jurisdiction or jurisdictions, (a) the aggregate Principal Balance of such Collateral Debt Security multiplied by (b) the aggregate par amount of collateral securing such Collateral Debt Security issued by issuers so incorporated or organized divided by (c) the aggregate par amount of all collateral securing such Collateral Debt Security. The Collateral Manager shall determine the Aggregate Attributable Amount with respect to any specified Collateral Debt Security and issuer or issuers based upon information in the most recent servicing, trustee or other similar report delivered in accordance with the related Underlying Instruments and, if no such information is available after inquiry of the relevant issuer, Servicer, collateral manager or any other Person serving in a similar capacity, on the basis of an estimate of such Aggregate Attributable Amount from the Collateral Manager made by the Collateral Manager in good faith and in the exercise of its reasonable business judgment based upon all relevant information otherwise available to the Collateral Manager or the Trustee.

"Credit Risk Security" means any Collateral Debt Security that the Collateral Manager believes (as of the date of the Collateral Manager's determination based upon currently available information) has a risk of declining in credit quality and with lapse of time, becoming a Defaulted Security or a Written Down Security.

"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 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), not less than "AA+" by Standard & Poor's and not less than "AA+" by Fitch 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), "A-1" by Standard & Poor's and "F1+" by Fitch in the case of commercial paper and short-term debt obligations including time deposits; *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 "A1" by Moody's (and,

if such rating is "A1", such rating is not on watch for possible downgrade by Moody's) and not less than "A+" by Fitch and (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 and not less than "AA+" by Fitch;

(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 each case without regard to the stated maturity of such security), 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), not less than "AA+" by Standard & Poor's and not less than "AA+" by Fitch 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), "A-1+" by Standard & Poor's and "F1+" by Fitch 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 and not less than "AA+" by Fitch;

(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), not less than "AA+" by Standard & Poor's and not less than "AA+" by Fitch;

(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), "A-1+" by Standard & Poor's and "F1+" by Fitch; *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 not less than "AA+" by Fitch, 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 not less than "AA+" by Fitch;

(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 (if treated as debt by the issuer), in each case, that has a credit rating of "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's), "A-1+" by Standard & Poor's and "F1+" by Fitch; *provided* that (i) in any 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 not less than "AA+" by Fitch, 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 not less than "AA+" by Fitch; 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 and the highest credit rating assigned by Fitch; *provided* that such fund or vehicle is formed and has its principal office outside the United States;

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 Quarterly Distribution Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (a) any mortgaged-backed security, (b) any security that does not provide for payment or repayment of a stated principal amount in one or more installments, (c) any security purchased at a price in excess of 100% of the par value thereof, (d) any investment the income from or proceeds of disposition of which is or will be subject to reduction for or on account of any withholding or similar tax, (e) the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer to net income

tax in any jurisdiction, (f) any floating rate security (other than the time deposits described in paragraph (c) above) 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 (g) any security whose rating by Standard & Poor's includes the subscript "r", "t", "p", "pi" or "q" *provided* that notwithstanding the foregoing, when used in relation to a Synthetic Security Counterparty Account, Eligible Investments shall include any investments approved in writing by the related Synthetic Security Counterparty. Eligible Investments may be obligations of, and may be purchased from, the Trustee and its Affiliates, and may include obligations for which the Trustee or an Affiliate thereof receives compensation for providing services.

"Emerging Market Issuer" means a sovereign or non-sovereign issuer organized in a country that is in Latin America, Asia, Africa, Eastern Europe or the Caribbean or in a country the Dollar-denominated obligations of which are rated lower than "Aa2" by Moody's (or are rated "Aa2" and are on watch for possible downgrade by Moody's) and which has a foreign currency rating lower than "AA" by Standard & Poor's; *provided* that an issuer of Asset-Backed Securities organized in a Special Purpose Vehicle Jurisdiction shall not be an Emerging Market Issuer for purposes hereof if the underlying collateral of such Asset-Backed Securities consists solely of (x) obligations of obligors located in the United States and (y) obligations of Qualifying Foreign Obligors.

"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 the related 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 related Underlying Instrument.

"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 (or if the Indenture expressly so specifies in respect of such action, the specified Rating Agency) has confirmed in writing to the Trustee 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) by such Rating Agency of any Class of Notes.

"Servicer" means, with respect to any Collateral Debt Security, the entity 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 Collateral Debt 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 imposes 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 security, in the per annum interest rate on such security or, in the case of a floating rate 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 security, in the per annum interest rate on such security or, in the case of a floating rate 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.

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 commitments to acquire securities for inclusion in the Collateral if such commitments to acquire securities do not extend beyond a 30-day period.

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 (a) on an "arm's-length basis" for fair market value or (b) pursuant to the Warehouse Agreements or Master Forward Sale Agreement.

The Issuer has agreed to use its best efforts to purchase during the Ramp-Up Period Collateral Debt Securities having an aggregate Principal Balance of not less than the aggregate Principal Balance necessary for the Issuer to comply with its obligations under the Indenture.

Asset-Backed Securities

Most of the Collateral Debt Securities will consist of Asset-Backed Securities, including, without limitation, Aerospace and Defense Securities, Automobile Securities, Bank Guaranteed Securities, Car Rental Receivable Securities, CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Large Loan Securities, Credit Card Securities, Healthcare Securities, High-Diversity CBO/CLO Securities, Home Equity Loan Securities, Insurance Company Guaranteed Securities, Low-Diversity CBO/CLO Securities, Manufactured Housing Securities, Mutual Fund Securities, Oil and Gas Securities, Project Finance Securities, Recreational Vehicle Securities, REIT Debt Securities—Diversified, REIT Debt Securities—Health Care, REIT Debt Securities—Hotel, REIT Debt Securities—Industrial, REIT Debt Securities—Mortgage, REIT Debt Securities—Multi-Family, REIT Debt Securities—Office, REIT Debt Securities—Residential, REIT Debt Securities—Retail, REIT Debt Securities—Storage, Residential A Mortgage Securities, Residential B/C Mortgage Securities, Restaurant and Food Services Securities, Small Business Loan Securities, Structured Settlement Securities, Student Loan Securities, Subprime Automobile Securities, Tax Lien Securities and Time Share Securities. Asset-Backed Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either static 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.

The term "Asset-Backed Securities" is generally used to refer to securities for which the underlying collateral consists of assets such as credit card receivables, home equity loans, leases, commercial mortgage loans and 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. 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. Accordingly, Asset-Backed Securities generally include one or more credit enhancements that are designed to raise the overall credit quality of the security above that of the underlying collateral. Another important type of Asset-Backed Security is commercial paper issued by special-purpose entities. Asset-backed commercial paper is usually backed by trade receivables, though such conduits may also fund commercial and industrial loans. Banks are typically more active as issuers of these instruments than as investors in them.

An Asset-Backed Security is 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, in the case of an asset-backed commercial paper program, a special-purpose entity. The sponsor or originator of the collateral usually establishes the issuer. Interests in the trust, which embody the right to certain cash flows arising from the underlying assets, are then sold in the form of securities 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 borrower accounts in the pool.

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. 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.

Asset-Backed Securities also 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, usually 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. An investment banking firm or other organization generally serves as an underwriter for Asset-Backed Securities. 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.

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 down-streamed to investors, how credit losses affect the trust and the return to investors, 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 company and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the trust or conduit or to the investors. 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.

There are many different varieties of Asset-Backed Securities, often customized to the terms and characteristics of the underlying collateral. The most common types are securities collateralized by revolving credit-card receivables, but instruments backed by home equity loans, other second mortgages and automobile-finance receivables are also common.

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 also 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," which 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. Under GAAP, issuers are required to recognize on their balance sheet an excess yield asset that is based on the fair value of the expected future excess yield; in principle, this value would be based on the net present value of the expected earnings stream from the transaction. Issuers are further required to revalue the asset periodically to take account of changes in fair value that may occur due to interest rates, actual credit losses and other factors relevant to the future stream of excess yield. The accounting and capital implications of these transactions are discussed further below.

A number of banks have used a structure—a "special-purpose entity"—that is designed to acquire trade receivables and commercial loans from high-quality (often investment-grade) obligors and to fund those loans by issuing (asset-backed) commercial paper that is to be repaid from the cash flow of the receivables. Capital is contributed to the special-purpose entity by the originating bank that, together with the high quality of the underlying borrowers, is sufficient to allow the special-purpose entity to receive a high credit rating. The net result is that the special-purpose entity's cost of funding can be at or below that of the originating bank itself. The special-purpose entity is "owned" by individuals who are not formally affiliated with the bank, although the degree of separation is typically minimal. These securitization programs enable banks to arrange short-term financing support for their customers without having to extend credit directly. This structure provides borrowers with an alternative source of funding and allows banks to earn fee income for managing the programs. As the asset-backed commercial paper structure has developed, it has been used to finance a variety of underlying loans—in some cases, loans purchased from other firms rather than originated by the bank itself—and as a "remote origination" vehicle from which loans can be made directly. Like other securitization techniques, this structure allows banks to meet their customers' credit needs while incurring lower capital requirements and a smaller balance sheet than if it made the loans directly.

Issuers obtain a number of advantages from securitizing assets, including improving their capital ratios and return on assets, monetizing gains in loan value, generating fee income by providing services to the securitization conduit, closing a potential source of interest-rate risk and increasing institutional liquidity by providing access to a new source of funds. Investors are attracted by the high credit quality of Asset-Backed Securities, as well as their attractive returns.

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.

Credit risk arises from (1) losses due to defaults by the borrowers in the underlying collateral and (2) 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. Asset-Backed Securities are rated by major rating agencies. 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 major concern for asset-backed commercial paper programs if concerns about credit quality, for example, lead investors to avoid the commercial paper issued by the relevant special-purpose entity. For these cases, the securitization transaction may include a "liquidity facility," which requires the facility provider to advance funds to the relevant special-purpose entity should liquidity problems arise. To the extent that the bank originating the loans is also the provider of the liquidity facility, and that the bank is likely to experience similar market concerns if the loans it originates deteriorate, the ultimate practical value of the liquidity facility to the transaction may be questionable. Operations risk arises through the potential for misrepresentation of loan 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.

For the purpose of determining compliance with the Eligibility Criteria set forth above, the Asset-Backed Securities to be pledged to the Trustee on Closing Date are divided into the following different "Specified Types":

"Aerospace and Defense 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 leases and subleases of aircraft, vessels and telecommunications equipment to businesses for use in the provision of goods or services to consumers, the military or the government, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage or wear and tear; and (5) the obligations of the lessors or sublessors may be secured not only by the leased equipment but also by other assets of the lessee, sublessee or guarantees granted by third parties.

"Automobile 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 installment sale loans made to finance the acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessees and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Bank Guaranteed Securities" means any Asset-Backed Security as to which, if interest thereon is not timely paid when due, or the principal thereof is not timely paid at stated legal maturity, a national banking association organized under United States law or banking corporation organized under the laws of a state of the United States has undertaken in an irrevocable letter of credit or other similar instrument to make such payment against the presentation of documents, but only if such letter of credit or similar instrument (1) expires no earlier than such stated maturity (or contains "evergreen" provisions entitling the beneficiary thereof to draw the entire undrawn amount thereof upon the failure of the expiration date of such letter of credit or other similar instrument to be extended beyond its then current expiry date), (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) was

issued by a bank having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security, determined without giving effect to such letter of credit or similar instrument, *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.

"Car Rental Receivable 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 leases and subleases of vehicles to car rental systems (such as Hertz, Avis, National, Dollar, Budget, etc.) and their franchisees, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the subleases are obligations of numerous franchisees and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee or third party of the underlying vehicle; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"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.

"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.

"Healthcare Securities" means Asset-Backed Securities (other than Small Business Loan 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 leases and subleases of equipment to hospitals, non-hospital medical facilities, physicians and physician groups for use in the provision of healthcare services, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage or wear and tear.

"High-Diversity CBO/CLO 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 of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk having a Moody's diversity score higher than 20; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or 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 bank loans and/or debt securities.

"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 loan or line of credit may be secured by residential real estate with a market value (determined on the date of origination of such loan or line of credit) that is less than the original proceeds of such loan or line of credit.

"Insurance Company Guaranteed Securities" means any Asset-Backed Security as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant

to an insurance policy, guarantee or other similar instrument issued by an insurance company organized under the laws of a state of the United States, but only if such insurance policy, guarantee or other similar instrument (1) expires no earlier than such stated maturity, (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) is issued by an insurance company having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security determined without giving effect to such insurance policy, guarantee or other similar instrument, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other type of Asset-Backed Security.

"Low-Diversity CBO/CLO 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 of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of a pool of obligors or issuers that represent a relatively undiversified pool of obligor credit risk having a Moody's diversity score of 20 or lower; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or 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 bank loans and/or debt securities.

"Manufactured Housing 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 manufactured housing (also known as mobile homes and prefabricated homes) installment sales contracts and installment loan agreements, generally having the following characteristics: (1) the contracts and loan agreements have varying, but typically lengthy contractual maturities; (2) the contracts and loan agreements are secured by the manufactured homes and, in certain cases, by mortgages and/or deeds of trust on the real estate to which the manufactured homes are deemed permanently affixed; (3) the contracts and/or loans are obligations of a large number of obligors and accordingly represent a relatively diversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule, 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) in some cases, obligations are fully or partially guaranteed by a governmental agency or instrumentality.

"Mutual Fund 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 pool of brokerage fees and costs relating to various mutual funds, generally having the following characteristics: (1) the brokerage arrangements have standardized payment terms and require minimum payments; (2) the brokerage fees and costs arise out of numerous mutual funds and accordingly represent a very diversified pool of credit risk; and (3) the collection of brokerage fees and costs can vary substantially from the contractual payment schedule (if any), with collection depending on numerous factors specific to the particular mutual funds, interest rates and general economic matters.

"Oil and Gas 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) a pool of franchise loans made to operators of franchises that provide oil and gasoline and provide other services related thereto and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the 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 obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with 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 include an effective prepayment premium;

(6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"Project Finance 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 (1) the sale of products, such as electricity, nuclear energy, steam or water, in the utility industry by a special purpose entity formed to own the assets generating or otherwise producing such products and such assets were or are being constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to such assets and the land on which they are located) or (2) fees or other usage charges, such as tolls collected on a highway, bridge, tunnel or other infrastructure project, collected by a special purpose entity formed to own one or more such projects that were constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to the project and the land on which it is located).

"Recreational Vehicle 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 installment sale loans made to finance the acquisition of, or from leases of, recreational vehicles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessees and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the recreational vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"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 ABS 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.

"Restaurant and Food Services 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) a pool of franchise loans made to operators of franchises that provide goods and services relating to the restaurant and food services industries and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the 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 obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with 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 include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"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.

"Structured Settlement 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 receivables representing the right of litigation claimants to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

"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.

"Subprime Automobile 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 subprime installment sale loans made to finance the acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessors under the loans or leases have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Tax Lien 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 pool of tax obligations owed by businesses and individuals to state and municipal governmental taxing authorities, generally having the following characteristics: (1) the obligations have standardized payment terms and require minimum payments; (2) the tax obligations are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on the obligation is primarily determined by a payment schedule entered into between the relevant tax authority and obligor, with early repayment on such obligation predominantly dependent upon interest rates and the income of the obligor following the commencement of amortization.

"Time Share Securities" means Asset-Backed Securities (other than Residential A Mortgage Securities, Residential B/C Mortgage Securities and Home Equity Loan Securities) that entitle the holders thereof to receive payments that depend primarily 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 the proceeds of which were used to purchase fee simple interests in timeshare estates in units in a condominium, generally having the following characteristics: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; (3) repayment of such securities can vary substantially from their contractual payment schedules and depends entirely upon the rate at which the mortgage loans are repaid; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, 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 with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling and generally no penalties for early repayment.

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

"ABS Franchise Securities" means (1) Oil and Gas Securities and (2) Restaurant and Food Services Securities, to the extent that such Oil and Gas Securities or Restaurant and Food Services Securities 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 such securities) on the cash flow from a pool of franchise loans made to operators of franchises.

"ABS REIT Debt Securities" means (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.

"ABS Type Diversified Securities" means (1) Automobile Securities; (2) Car Rental Receivable Securities; (3) Credit Card Securities; (4) Student Loan Securities; and (5) any other type of Asset-Backed Securities that become a Specified Type after the Closing Date as described below and are designated as "ABS Type Diversified Securities" in connection therewith.

"ABS Type Residential Securities" means (1) Home Equity Loan Securities; (2) Manufactured Housing Securities; (3) Residential A Mortgage Securities; (4) Residential B/C Mortgage Securities; and (5) any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date and is designated as "ABS Type Residential Securities" in connection therewith.

"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; and any other type of Asset-Backed Securities that become a Specified Type after the Closing Date as described below and are designated as "ABS Type Undiversified Securities" in connection therewith.

"CBO/CLO Securities" means (1) High-Diversity CBO/CLO Securities and (2) Low-Diversity CBO/CLO Securities.

Synthetic Securities

A portion of the Collateral Debt Securities may consist of Synthetic Securities entered into between the Issuer and a Synthetic Security Counterparty. "Synthetic Security Counterparty" means any entity that (i) is required to make payments on a Synthetic Security referenced to payments by one or more Reference Obligor(s) on one or more related Reference Obligation(s) and (ii) on the date such Synthetic Security is acquired by the Issuer, is rated at least "AA" by Standard & Poor's or has a short-term issuer credit rating from Standard & Poor's of at least "A-1", has a long-term unsecured debt rating from Moody's of at least "Aa2" or has a short-term unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" and has a short-term issuer credit rating from Fitch of at least "F1" or, if there is no such short-term credit rating from Fitch, has a long-term issuer credit rating from Fitch of at least "AA", or the selection of such entity satisfies the Rating Condition. "Reference Obligation" means (a) any CDO Obligation, (b) any Other ABS or (c) a specified pool of financial assets, either static or revolving, that by their terms convert into cash within a finite time period, in each case in respect of which the Issuer has obtained a Synthetic Security and which, if purchased by the Issuer, would satisfy paragraphs (7), (8) and (11) of the Eligibility Criteria.

For purposes of determining the principal balance of a Synthetic Security at any time, the principal balance of such Synthetic Security shall be equal (i) in the case of any Synthetic Security that does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder, the aggregate amount of the repayment obligations of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security and (ii) in the case of any other Synthetic Security, the balance in the related Synthetic Security Collateral Account reduced by the amount of any payments due and payable to the Synthetic Security Counterparty by reason of the occurrence of one or more "credit events" or other similar circumstances to the extent such payments have not yet been made.

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 Obligations.

For purposes of the Diversity Test, (i) a Single Obligation 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 the Synthetic Security Counterparty) and (ii) a Synthetic Security that references more than one Reference Obligation will be included as a Collateral Debt Security having the characteristics of the Synthetic Security. For purposes of the Collateral Quality Tests other than the Diversity Test, 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), except 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(s).

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

The "Collateral Quality Tests" will be used primarily as criteria for purchasing Collateral Debt Securities. See "—Eligibility Criteria". The Collateral Quality Tests will consist of the Diversity Test, the Fitch Weighted Average Rating Factor Test, the Moody's Maximum Rating Distribution Test, the Moody's Minimum Weighted Average Recovery Rate Test, the Moody's Minimum Weighted Average A3 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.

Except as otherwise provided below under "Diversity Test", For purposes of the Diversity Test, (i) a Single Obligation 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 the Synthetic Security Counterparty) and (ii) a Synthetic Security that references more than one Reference Obligation will be included as a Collateral Debt Security having the characteristics of the Synthetic Security. For purposes of the Collateral Quality Tests other than the Diversity Test, 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), except 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(s).

Ratings Matrix. After the Ramp-Up Completion Date, any of the rows of the table below (each a "Ratings Matrix") shall be applicable for purposes of the Diversity Test and the Moody's Maximum Rating Distribution Test. The minimum diversity score required to satisfy the Diversity Test (the "Designated Minimum Diversity Score") and the Moody's Maximum Rating Distribution required to satisfy the Moody's Maximum Rating Distribution Test (the "Designated Moody's Maximum Rating Distribution") for each Rating Matrix are set forth opposite such Rating Matrix in the table below.

Ratings Matrix	Designated Minimum Diversity Score	Designated Moody's Maximum Rating Distribution
1	18	25
2	20	27
3	22	29

Diversity Test. The "Diversity Test" will be satisfied on any Measurement Date if the Diversity Score on such Measurement Date is equal to or greater than (a) on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, 16, (b) on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, 17, (c) on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date, 18 and (d) on the Ramp-Up Completion Date and any Measurement Date thereafter, the Designated Minimum Diversity Score for any of Ratings Matrix 1, 2 or 3 provided that the applicable Moody's Maximum Rating Distribution Test on such Measurement Date is the Designated Moody's Maximum Rating Distribution for the same Ratings Matrix. 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.

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

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, 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.

The portfolio of Collateral Debt Securities used to calculate the alternative Diversity Score shall not include Re-REMICs that entitle the holders thereof to receive payments that do not depend primarily on Asset-Backed Securities.

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 any Measurement Date if the Moody's Maximum Rating Distribution of the Collateral Debt Securities as of such Measurement Date is equal to or less than (a) on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, 30, (b) on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, 28, (c) on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date, 27 and (d) on the Ramp-Up Completion Date and any Measurement Date thereafter, the Designated Moody's Maximum Rating Distribution for any of Ratings Matrix 1, 2 or 3; *provided* that the applicable Diversity Test on such Measurement Date is the Designated Minimum Diversity Score for the same Ratings Matrix. 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 or Written Down Security, 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 or Written Down Securities 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

Moody's Rating	Moody's Rating Factor	Moody's Rating	Moody's Rating Factor
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. 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 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; 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 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 any Asset-Backed Security, if such Asset-Backed Security is not 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 Asset-Backed Security not publicly rated by Moody's listed under Class A-1 on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) 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 Asset-Backed Security not publicly rated by Moody's listed under Class A-2 on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) four rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

(C) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class B on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) two subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is

"AAA" to "AA-"; (2) three rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) four rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

(D) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class D on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "BBB-" or greater and (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

(E) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class E on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) two subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "BBB-" or greater and (2) 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-";

(F) (x) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class F on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) 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-"; and

(y) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class F on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Fitch, then the Moody's Rating thereof will be (1) two subcategories below the Moody's equivalent rating assigned by Fitch if the rating assigned by Fitch is "AAA" to "AA-"; (2) three rating subcategories below the Moody's equivalent rating assigned by Fitch if the rating assigned by Fitch is "A+" to "BBB-"; and (3) four rating subcategories below the Moody's equivalent rating assigned by Fitch if the rating assigned by Fitch is below "BBB-";

(G) 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 in the relevant Issue and Standard & Poor's or Fitch has rated the subject CMBS Conduit Security or CMBS Credit Tenant Lease Security, then the Moody's Rating thereof shall be one and one-half rating subcategories below the Moody's rating equivalent of the lower of the ratings assigned by Standard & Poor's or Fitch and (y) if Moody's has not rated any such tranche or class and Standard & Poor's and Fitch have 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 rating equivalent of the lower of the ratings assigned by Standard & Poor's or Fitch; and

(H) with respect to any other type of Asset-Backed Security of a Specified Type not referred to in clauses (A) through (G) above shall be determined pursuant to subclause (i) above;

(iii) with respect to Corporate Debt Securities, if the related corporate guarantees are not publicly rated by Moody's but another security or obligation of the guarantor or obligor (an "other security") is publicly rated by Moody's, and no rating has been assigned in accordance with clause (a)(i), the Moody's Rating of such Corporate Debt Security shall be determined as follows:

(A) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the other security is also a senior secured obligation, the Moody's Rating of such Corporate Debt Security shall be the rating of the other security;

(B) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the other security is a senior secured obligation, the Moody's Rating of such Corporate Debt Security shall be one rating subcategory below the rating of the other security;

(C) if the corporate guarantee is a subordinated obligation of the guarantor or obligor and the other security is a senior secured obligation that is:

(1) rated "Ba3" or higher by Moody's, the Moody's Rating of such Corporate Debt Security shall be three rating subcategories below the rating of the other security; or

(2) rated "B1" or lower by Moody's, the Moody's Rating of such Corporate Debt Security shall be two rating subcategories below the rating of the other security;

(D) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the other security is a senior unsecured obligation that is:

(1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Corporate Debt Security shall be the rating of the other security; or

(2) rated "Ba1" or lower by Moody's, the Moody's Rating of such Corporate Debt Security shall be one rating subcategory above the rating of the other security;

(E) if the corporate guarantee in respect of such Corporate Debt Security is a senior unsecured obligation of the guarantor or obligor and the other security is also a senior unsecured obligation, the Moody's Rating of such Corporate Debt Security shall be the rating of the other security;

(F) if the corporate guarantee is a subordinated obligation of the guarantor or obligor and the other security is a senior unsecured obligation that is:

(1) rated "B1" or higher by Moody's, the Moody's Rating of such Corporate Debt Security shall be two rating subcategories below the rating of the other security; or

(2) rated "B2" or lower by Moody's, the Moody's Rating of such Corporate Debt Security shall be one rating subcategory below the rating of the other security;

(G) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the other security is a subordinated obligation that is:

(1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Corporate Debt Security shall be one rating subcategory above the rating of the other security;

(2) rated below "Baa3" but not rated "B3" by Moody's, the Moody's Rating of such Corporate Debt Security shall be two rating subcategories above the rating of the other security;

(3) rated "B3" by Moody's, the Moody's Rating of such Corporate Debt Security shall be "B2";

(H) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the other security is a subordinated obligation that is:

(1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Corporate Debt Security shall be one rating subcategory above the rating of the other security; or

(2) rated "Ba1" or lower by Moody's, the Moody's Rating of such Corporate Debt Security shall also be one rating subcategory above the rating of the other security; and

(I) if the Corporate Debt Security is a subordinated obligation of the guarantor or obligor and the other security is also a subordinated obligation, the Moody's Rating of such Corporate Debt Security shall be the rating of the other security;

(iv) with respect to Corporate Debt Securities the related corporate guarantees with respect to which are issued by U.S., U.K. or Canadian guarantors or by any other Qualifying Foreign Obligor, if such corporate guarantee is not publicly rated by Moody's, and no other security or obligation of the guarantor is rated by Moody's, then the Moody's Rating of such Corporate Debt Security may be determined using any one of the methods below:

(A) (1) if such corporate guarantee is publicly rated by Standard & Poor's, then the Moody's Rating of such Corporate Debt Security will be (x) one rating subcategory below the Moody's equivalent of the rating assigned by Standard & Poor's if such security is rated "BBB-" or higher by Standard & Poor's and (y) two subcategories below the Moody's equivalent of the rating assigned by Standard & Poor's if such security is rated "BB+" or lower by Standard & Poor's; and

(2) if such corporate guarantee is not publicly rated by Standard & Poor's but another security or obligation of the guarantor is publicly rated by Standard & Poor's (a "parallel security"), then the Moody's equivalent of the rating of such parallel security will be determined in accordance with the methodology set forth in subclause (1) above, and the Moody's Rating of such Corporate Debt Security will be determined in accordance with the methodology set forth in clause (iii) above (for such purpose treating the parallel security as if it were rated by Moody's at the rating determined pursuant to this subclause (2));

(B) if such corporate guarantee is not publicly rated by Moody's or Standard & Poor's, and no other security or obligation of the guarantor is publicly rated by Moody's or Standard & Poor's, then the Issuer may present such corporate guarantee to Moody's for an estimate of such Corporate Debt Security's rating factor, from which its corresponding Moody's rating may be determined, which shall be its Moody's Rating;

(C) with respect to a corporate guarantee issued by a U.S. corporation, if (1) neither the guarantor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings, (2) no debt securities or obligations of the guarantor are in default, (3) neither the guarantor nor any of its Affiliates have defaulted on any debt during the past two years, (4) the guarantor has been in existence for the past five years, (5) the guarantor is current on any cumulative dividends, (6) the fixed-charge ratio for the guarantor exceeds 125% for each of the past two fiscal years and for the most recent quarter, (7) the guarantor had a net annual profit before tax in the past fiscal year and the most recent quarter and (8) the annual financial statements of the guarantor are unqualified and certified by a firm of independent accountants of national reputation, and quarterly statements are unaudited but signed by a corporate officer, the Moody's Rating of such Corporate Debt Security will be "B3";

(D) with respect to a corporate guarantee issued by a non-U.S. guarantor, if (1) neither the guarantor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings and (2) no debt security or obligation of the guarantor has been in default during the past two years, the Moody's Rating of such Corporate Debt Security will be "Caa2"; and

(E) if a debt security or obligation of the guarantor has been in default during the past two years, the Moody's Rating of such Corporate Debt Security will be "Ca";

provided that:

(w) the rating of any Rating Agency used to determine the Moody's Rating pursuant to any of clauses (i), (ii), (iii) or (iv) above shall be a public rating (and not an estimated rating) 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;

(x) in respect of Collateral Debt Securities the Moody's Rating of which is based on a rating of another Rating Agency (1) if such Collateral Debt Securities are rated by both Standard & Poor's and Fitch, the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities; (2) if such Collateral Debt Securities are rated by either of the other Rating Agencies (but not both), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 10% of the aggregate Principal Balance of all Collateral Debt Securities; and (3) if such Collateral Debt Securities are rated by the same Rating Agency (and no other Rating Agency), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 7.5% of the aggregate Principal Balance of all Collateral Debt Securities;

(y) with respect to any Synthetic Security, the Moody's Rating thereof will 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 other than a CBO/CLO Security rated "Baa3" or below 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 below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list and (C) if a CBO/CLO Security rated "Baa3" or below is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be two rating 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;

A "Qualifying Foreign Obligor" is a corporation, partnership or other entity located in any of Australia, Canada, France, Germany, Ireland, New Zealand, Sweden, Switzerland or the United Kingdom, so long as the unguaranteed, unsecured and otherwise unsupported long-term U.S. Dollar sovereign debt obligations of such country are rated "Aa2" or better by Moody's (and, if rated "Aa2", are not on watch for possible downgrade by Moody's), "AA" or better by Standard & Poor's and "AA" or better by Fitch.

Fitch Weighted Average Rating Factor Test. The "Fitch Weighted Average Rating Factor Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Fitch Weighted Average Rating Factor of the Collateral Debt Securities as of such Measurement Date does not exceed 0.90. The "Fitch Weighted Average Rating Factor" is, on any Measurement Date, the number determined by dividing (i) the summation of the series of products obtained (a) for any Pledged Collateral Debt Security that is not a Defaulted Security, by multiplying (1) the principal balance on such Measurement Date of each such Pledged Collateral Debt Security by (2) its respective Fitch Rating Factor on such Measurement Date and (b) for any Defaulted Security, by multiplying (1) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (c) of the definition of "Applicable Recovery Rate") for such Defaulted Security by (2) the principal balance on such Measurement Date of each such Defaulted Security by (3) its respective Fitch Rating Factor on such Measurement Date by (ii) the sum of (a) the aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities plus (b) the summation of the series of products obtained by multiplying (1) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (c) of the definition of "Applicable Recovery Rate") for each Defaulted Security by (2) the principal balance on such Measurement Date of such Defaulted Security, and rounding the result up to the nearest second decimal place.

The "Fitch Rating Factor" as of any Measurement Date, for the purposes of computing the Fitch Weighted Average Rating Factor Test with respect to any Collateral Debt Security on any Quarterly Distribution Date, is the number set forth in the table below opposite the Fitch Rating of such Collateral Debt Security:

Fitch Rating	Fitch Rating Factor	Fitch Rating	Fitch Rating Factor
AAA	0.19	BB	13.53

Fitch Rating	Fitch Rating Factor	Fitch Rating	Fitch Rating Factor
AA+	0.57	BB-	18.46
AA	0.89	B+	22.84
AA-	1.15	B	27.67
A+	1.65	B-	34.98
A	1.85	CCC+	43.36
A-	2.44	CCC	48.52
BBB+	3.13	CC	77.00
BBB	3.74	C	95.00
BBB-	7.26	DDD-D	100.00
BB+	10.18		

The "Fitch Rating" of any Collateral Debt Security as of any date of determination will be determined as follows:

(i) if such Collateral Debt Security is rated by Fitch, as published in any publicly available news source identified by the Collateral Manager, such rating;

(ii) if the rating cannot be assigned pursuant to clause (i) above and there is a publicly available Collateral Debt Security rating by Moody's or Standard & Poor's (but not both), the rating that corresponds to Standard & Poor's or Moody's rating, as the case may be;

(iii) if the rating cannot be assigned pursuant to clauses (i) or (ii) above and there is a publicly available rating of Collateral Debt Security by Moody's and Standard & Poor's, the rating that corresponds to the lower of the Moody's or Standard & Poor's rating; and

(iv) if the rating cannot be assigned pursuant to clauses (i) through (iii) above, the Issuer or the Collateral Manager, on behalf of the Issuer, shall apply to Fitch for a private rating which shall then be the Fitch Rating

provided that (x) if such Collateral Debt Security has been put on rating watch negative or negative credit watch for possible downgrade by any Rating Agency, then the rating used to determine the Fitch Rating above shall be one rating subcategory below such rating by that Rating Agency, and (y) if such Collateral Debt Security has been put on rating watch positive or positive credit watch for possible upgrade by any Rating Agency, then the rating used to determine the Fitch Rating above shall be one rating subcategory above such rating by that Rating Agency, and (z) notwithstanding the rating definition described above, Fitch reserves the right to issue a rating estimate for any Collateral Debt Security at any time.

The "Fitch Recovery Rate" means, with respect to any Defaulted Security on any Measurement Date, an amount equal to the percentage corresponding to the domicile and seniority of such Defaulted Security, as applicable, as set forth in the Fitch Recovery Rate Matrix attached as Part III of Schedule A; *provided* that, the applicable percentage shall be the percentage corresponding to the most senior outstanding Class of Notes then rated by Fitch.

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 (or, in the case of a REIT Debt Security, the issuer credit rating assigned by Standard & Poor's); *provided* that, solely for the purposes of determining compliance with the Standard & Poor's CDO Monitor Test, in respect of any Collateral Debt Security that is on watch for a possible upgrade or downgrade by Standard & Poor's, the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the Standard & Poor's rating otherwise assigned to such Collateral Debt Security;

(ii) if such Collateral Debt Security is not rated by Standard & Poor's but the Issuer 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 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 Schedule E, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating assigned in accordance with 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 Schedule E; *provided* that (x) if any Collateral Debt Security shall be on watch for a possible upgrade or downgrade by either Moody's or Fitch, 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 Schedule E; and (y) that the aggregate Principal Balance of all Collateral Debt Securities that are assigned a Standard & Poor's Rating pursuant to this clause (iii) may not (1) exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities if such Collateral Debt Securities are rated by both Moody's and Fitch and (2) exceed 10% of the aggregate Principal Balance of all Collateral Debt Securities if such Collateral Debt Securities are rated by either of the other Rating Agencies (but not both).

Moody's Minimum Weighted Average Recovery Rate Test. The "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Moody's Weighted Average Recovery Rate as of such Measurement Date is greater than or equal to (a) on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, 45%, (b) on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, 47%, (c) on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date, 49% and (d) on the Ramp-Up Completion Date and any Measurement Date thereafter, 50%.

The "Moody's Minimum Weighted Average A3 Recovery Rate Test" means a test satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Moody's Weighted Average A3 Recovery Rate is greater than or equal to 40%.

The "Moody's Weighted Average Recovery Rate" is the number (expressed as a percentage rounded up to the first decimal place) obtained by (a) summing the products obtained by multiplying the Principal Balance of each Collateral Debt Security other than a Defaulted Security by its "Applicable Recovery Rate" (determined for purposes of this definition pursuant to clause (a) of the definition of "Applicable Recovery Rate") and (b) dividing such sum by the aggregate Principal Balance of all such Collateral Debt Securities.

The "Moody's Weighted Average A3 Recovery Rate", as of any Measurement Date, the number (expressed as a percentage rounded up to the first decimal place) obtained by (a) summing the products obtained by multiplying the Principal Balance of each Pledged Security having a Moody's Rating below "Aa3" but equal to or above "A3" on such date other than a Defaulted Security by its "Applicable Recovery Rate" (determined for purposes of this definition pursuant to clause (a) of the definition of "Applicable Recovery Rate") and (b) dividing such sum by the Aggregate Principal Balance of all such Pledged Securities.

Weighted Average Coupon Test. The "Weighted Average Coupon Test" means a test that is satisfied on any Measurement Date if the Weighted Average Coupon as of such Measurement Date is equal to or greater than (i) 4.90% on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, (ii) 4.94% (plus the Swap Differential on the First Ramp-Up Test Date if such Swap Differential is positive or minus the absolute value of the Swap Differential on the First Ramp-Up Test Date if such Swap Differential is negative) on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, (iii) 4.97% (plus the Swap Differential on the Second Ramp-Up Test Date if such Swap Differential is positive or minus the absolute value of the Swap Differential on the Second Ramp-Up Test Date if such Swap Differential is negative) on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date and (iv) 5.0% (plus the Swap Differential on the Ramp-Up Completion Date if such Swap Differential is positive or minus the absolute value of the Swap Differential on the Ramp-Up Completion Date if such Swap Differential is negative) on the Ramp-Up Completion Date and any Measurement Date thereafter.

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 (i) summing the products obtained by multiplying (x) the current interest rate on each Pledged Collateral Debt Security that is a fixed rate security (excluding all Defaulted Securities and Written Down Securities) by (y) the Principal Balance of each such Pledged Collateral Debt Security and (ii) dividing such sum by the aggregate Principal Balance of all Pledged Collateral Debt Securities that are fixed rate securities (excluding all Defaulted Securities and Written Down Securities) plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than the applicable percentage specified in the definition of "Weighted Average Coupon Test", the Spread Excess, if any, as of such Measurement Date. For purposes of this definition, no contingent payment of interest will be included in such calculation.

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 (i) 4.90% on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, (ii) 4.94% (plus the Swap Differential on the First Ramp-Up Test Date if such Swap Differential is positive or minus the absolute value of the Swap Differential on the First Ramp-Up Test Date if such Swap Differential is negative) on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, (iii) 4.97% (plus the Swap Differential on the Second Ramp-Up Test Date if such Swap Differential is positive or minus the absolute value of the Swap Differential on the Second Ramp-Up Test Date if such Swap Differential is negative) on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date and (iv) 5.0% (plus the Swap Differential on the Ramp-Up Completion Date if such Swap Differential is positive or minus the absolute value of the Swap Differential on the Ramp-Up Completion Date if such Swap Differential is negative) on the Ramp-Up Completion Date and any Measurement Date thereafter and (b) the Aggregate Principal Balance of all Fixed Rate Securities (excluding Defaulted Securities and Written Down Securities) and the denominator of which is the Aggregate Principal Balance of all Floating Rate Securities (excluding Defaulted Securities and Written Down Securities).

"Swap Differential" means, a number (which may be positive or negative) equal to (a) on the First Ramp-Up Test Date, the Weighted Average Swap Fixed Rate on the First Ramp-Up Test Date minus the Weighted Average Swap Fixed Rate on the Closing Date (calculated on the First Ramp-Up Test Date as if the First Ramp-Up Test Date were the Measurement Date), (b) on the Second Ramp-Up Test Date, the Weighted Average Swap Fixed Rate on the Second Ramp-Up Test Date minus the Weighted Average Swap Fixed Rate on the Closing Date (calculated on the Second Ramp-Up Test Date as if the Second Ramp-Up Test Date were the Measurement Date) and (c) on the Ramp-Up Completion Date, the Weighted Average Swap Fixed Rate on the Ramp-Up Completion Date minus the Weighted Average Swap Fixed Rate on the Closing Date (calculated on the Ramp-Up Completion Date as if the Ramp-Up Completion Date were the Measurement Date).

"Weighted Average Swap Fixed Rate" means, as of the Closing Date, the First Ramp-Up Test Date, the Second Ramp-Up Test Date and the Ramp-Up Completion Date, the number (rounded up to the next 0.001%) obtained by (i) summing the products obtained by multiplying (x) the notional amount (as of such Measurement Date) of each interest rate swap transaction under each Hedge Agreement in effect on such Measurement Date by (y) the weighted average fixed rate payable by the Issuer to the Hedge Counterparty in respect of such transaction and (ii) dividing such sum by the aggregate notional amount (as of such Measurement Date) of all interest rate swap transactions under each Hedge Agreement in effect on such Measurement Date.

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied on any Measurement Date if the Weighted Average Spread as of such Measurement Date is greater than or equal to (i) 0.73% on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, (ii) 0.75% on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, (iii) 0.77% on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date and (iv) 0.79% on the Ramp-Up Completion Date and any Measurement Date thereafter.

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 (x) the stated spread above or below LIBOR at which interest accrues on each Collateral Debt Security that is a floating rate security (other than a Defaulted Security or a Written Down Security) as of such date by (y) the Principal Balance of such Collateral Debt Security as of such date, and (ii) dividing such sum by the aggregate Principal Balance of all Collateral Debt Securities that are floating rate securities (excluding all Defaulted Securities and Written Down Securities) plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than the applicable percentage specified in the definition of "Weighted Average Spread Test", the Fixed Rate Excess, if any, as of such Measurement Date. For purposes of this definition, (1) no contingent payment of interest

will be included in such calculation and (2) in the case of any floating rate security that does not bear interest at a rate expressed as a stated spread above LIBOR, the interest rate payable on such floating rate security on any Measurement Date shall be calculated as a spread above or below LIBOR, and if on such Measurement Date such rate is calculated as a spread below LIBOR, such spread shall be expressed as a negative number for purposes of making the calculation described in clause (a)(i) of the preceding sentence.

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 (i) 0.73% on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, (ii) 0.75% on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, (iii) 0.77% on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date and (iv) 0.79% on the Ramp-Up Completion Date and any Measurement Date thereafter and (b) the Aggregate Principal Balance of all Floating Rate Securities (excluding Defaulted Securities and Written Down Securities) and the denominator of which is the Aggregate Principal Balance of all Fixed Rate Securities (excluding Defaulted Securities and Written Down Securities).

Weighted Average Life Test. The "Weighted Average Life Test" will be satisfied on any Measurement Date if the Weighted Average Life of all Collateral Debt Securities as of such Measurement Date is less than or equal to 7.5 years.

On any Measurement Date with respect to any Collateral Debt Securities, the "Weighted Average Life" is the number obtained by (i) summing the products obtained by multiplying (a) the Average Life at such time of each such Collateral Debt 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 such Collateral Debt 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 (as determined by the Collateral Manager).

Standard & Poor's Minimum Recovery Rate Test. The "Standard & Poor's Minimum Recovery Rate Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Standard & Poor's Recovery Rate as of such Measurement Date is equal or greater than (a) with respect to the Class A-1 Notes, (1) on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, 49%, (2) on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, 50%, (3) on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date, 51% and (4) on the Ramp-Up Completion Date and any Measurement Date thereafter, 52%; (b) with respect to the Class B Notes, (1) on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, 68%, (2) on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, 69%, (3) on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date, 70% and (4) on the Ramp-Up Completion Date and any Measurement Date thereafter, 71%; (c) with respect to the Class C Notes, (1) on the Closing Date and thereafter to, but excluding, the First Ramp-Up Test Date, 73%, (2) on the First Ramp-Up Test Date and thereafter to, but excluding, the Second Ramp-Up Test Date, 74%, (3) on the Second Ramp-Up Test Date and thereafter to, but excluding, the Ramp-Up Completion Date, 75% and (4) on the Ramp-Up Completion Date and any Measurement Date thereafter, 76%.

The "Standard & Poor's Recovery Rate" means, as of any Measurement Date, the number (expressed as a percentage rounded up to the first decimal place) obtained by (a) summing the products obtained by multiplying the Principal Balance of each Pledged 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 (b) dividing such sum by the aggregate Principal Balance of all Pledged Collateral Debt Securities on such Measurement Date. For purposes of determining the Standard & Poor's Recovery Rate, the Principal Balance of a Defaulted Security will be deemed to be equal to its Calculation Amount.

Standard & Poor's CDO Monitor Test

If on any date on or after the Ramp-Up Completion Date, upon the acquisition of any Collateral Debt Security (after giving effect to the acquisition of such Collateral Debt Security), the Standard & Poor's CDO Monitor Test is not satisfied

or, if immediately prior to such investment the Standard & Poor's CDO Monitor Test was not satisfied, the result is not closer to compliance, the Issuer must promptly deliver to the Trustee, the Noteholders, the Hedge Counterparty and Standard & Poor's an officer's certificate specifying the extent of non-compliance.

The "Standard & Poor's CDO Monitor Test" is a test satisfied on any Measurement Date after the Ramp-Up Completion Date if after giving effect to the sale of a Collateral Debt Security or the purchase of a Collateral Debt Security (or both), as the case may be, on such Measurement Date if each of the Class A-1 Note Loss Differential, the Class B Note Loss Differential or the Class C Note Loss Differential of the Proposed Portfolio is positive or if any of the Class A-1 Note Loss Differential, the Class B Note Loss Differential or the Class C Note Loss Differential of the Proposed Portfolio is negative prior to giving effect to such sale or purchase, the extent of compliance is improved after giving effect to the sale or purchase of a Collateral Debt Security.

The "Class A-1 Note Loss Differential" means, with respect to the Class A-1 Notes, at any time, the rate calculated by subtracting the Class A-1 Note Scenario Default Rate at such time from the Class A-1 Note Break-Even Loss Rate at such time.

The "Class A-1 Note Scenario Default Rate" means, with respect to the Class A-1 Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's Rating of the Class A-1 Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class A-1 Note Break-Even Loss Rate" means, with respect to the Class A-1 Notes, 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 Current Portfolio or the Proposed Portfolio, as applicable, 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, interest on and Commitment Fee on the Class A-1 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-1 Notes.

The "Class B Note Break-Even Loss Rate" means, with respect to the Class B Notes, 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 Current Portfolio or the Proposed Portfolio, as applicable, 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 the Class B Notes in full by their Stated Maturity and the timely payment of interest on the Class B Notes.

The "Class B Note Loss Differential" means, with respect to the Class B Notes, at any time, the rate calculated by subtracting the Class B Note Scenario Default Rate at such time from the Class B Note Break-Even Loss Rate at such time.

The "Class B Note Scenario Default Rate" means, with respect to the Class B Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's Rating of the Class B Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class C Note Break-Even Loss Rate" means, with respect to the Class C Notes, 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 Current Portfolio or the Proposed Portfolio, as applicable, 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 the Class C Notes in full by their Stated Maturity and the timely payment of interest on the Class C Notes.

The "Class C Note Loss Differential" means, with respect to the Class C Notes, at any time, the rate calculated by subtracting the Class C Note Scenario Default Rate at such time from the Class C Note Break-Even Loss Rate at such time.

The "Class C Note Scenario Default Rate" means, with respect to the Class C Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's

Rating of the Class C Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Proposed Portfolio" means the portfolio (measured by Principal Balance) of Pledged Collateral Debt Securities and Specified Assets resulting from the sale, maturity or other disposition of a Collateral Debt Security or a proposed acquisition of a Collateral Debt Security, as the case may be.

The "Current Portfolio" means the portfolio (measured by Principal Balance) of Pledged Collateral Debt Securities and Specified Assets existing immediately prior to the sale, maturity or other disposition of a Collateral Debt Security or immediately prior to the acquisition of a Collateral Debt Security, as the case may be.

The "Standard & Poor's CDO Monitor" is the dynamic, analytical computer model (including all written instructions and assumptions necessary for running the model) provided by Standard & Poor's to the Issuer, the Collateral Manager and the Collateral Administrator on or prior to the Ramp-Up Completion Date for the purpose of estimating the default risk of Collateral Debt Securities.

The "Weighted Average Purchase Price" means, as of any date of determination, a fraction (expressed as a percentage) obtained by (a) multiplying the Principal Balance of each such Collateral Debt Security acquired by the Issuer after the Closing Date by the purchase price (expressed as a percentage of par) paid by the Issuer to acquire such Collateral Debt Security (such price to be determined exclusive of any payment in respect of accrued interest or fees), (b) summing the amounts determined pursuant to clause (a) for all such Collateral Debt Securities and (c) dividing such sum by the aggregate principal amount of all such 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 A-1 Note Scenario Default Rate, the Class B Note Scenario Default Rate and the Class C Note 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. Standard & Poor's makes no representation that actual defaults will not exceed those determined by the Standard & Poor's CDO Monitor. The Issuer makes no 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.

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, the Issuer:

(i) may, at the direction of the Collateral Manager, sell any Defaulted Security (other than a Defaulted Synthetic Security), Written Down Security or Credit Risk Security at any time; *provided* that, if the rating of any Class of Notes has been withdrawn or reduced below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated, then a Credit Risk Security may be sold only if it has been downgraded or put on a watch list for possible downgrade by one or more Rating Agencies by one or more rating subcategories since it was acquired by the Issuer;

(ii) may sell (or exercise its right to terminate) any Defaulted Synthetic Security described in clause (9) of the definition of "Defaulted Security";

(iii) shall sell any Equity Security or other security or consideration received by the Issuer in exchange for a Defaulted Security that is not Margin Stock and is described in items (7), (8) and (10) of the Eligibility Criteria within one year after the related Collateral Debt Security became a Defaulted Security (or within one year after such later date as such Equity Security may first be sold in accordance with its terms and applicable law);

(iv) shall sell each Equity Security (other than an Equity Security described in clause (iii) above) not later than five Business Days after the Issuer's receipt thereof (or within five Business Days after such later date as such Equity Security may first be sold in accordance with its terms and applicable law); and

(v) shall, in the event of an Auction Call Redemption, Optional Redemption or Tax Redemption, direct the Trustee to sell, in consultation with the Collateral Manager, Collateral Debt Securities without regard to the foregoing limitations.

All sale proceeds of an Equity Security, Credit Risk Security, Written Down Security or Defaulted Security sold by the Issuer as described above will be deposited in the "Principal Collection Account" or "Interest Collection Account", as the case may be, and applied on the Quarterly Distribution Date immediately succeeding the end of the Due Period in which they were received in accordance with the Priority of Payments.

Any disposition by the Issuer of an Equity Security or a Defaulted Security will be conducted on an "arm's-length basis" for fair market value.

In the event of an Optional Redemption, Auction Call Redemption or a Tax Redemption, the Trustee (in consultation with the Collateral Manager) may sell Collateral Debt Securities without regard to the limitations described above that are applicable to sales by the Issuer; *provided* that (i) the proceeds therefrom will be at least sufficient to pay certain expenses and other amounts and redeem in whole but not in part all Notes to be redeemed simultaneously; (ii) such proceeds are used to make such a redemption and (iii) the Issuer provides a certification as to the sale proceeds of the Collateral containing calculations which are confirmed in writing by independent accountants as set forth in the Indenture. See "Description of the Notes—Optional Redemption and Tax Redemption" and "—Auction Call Redemption".

The Hedge Agreements

The Issuer will on the Closing Date enter into an interest rate protection agreement (such agreement, and any replacement therefor entered into in accordance with the Indenture, the "Interest Rate Hedge Agreement") with a counterparty with respect to which the Rating Condition has been satisfied (the "Interest Rate Hedge Counterparty"). Such Interest Rate Hedge Agreement may consist of one or more interest rate swaps and/or interest rate caps. The Issuer shall not, however, enter into any hedge agreement, the payments from which are subject to withholding tax or the acquisition, ownership, enforcement or disposition of which would subject the Issuer to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation. 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, 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, a "Hedge Counterparty"). The initial Interest Rate Hedge Counterparty shall be AIG Financial Products Corp. (the "Initial Interest Rate Hedge Counterparty"), located at 50 Danbury Road, Wilton, CT 06897-4444 and the initial Basis Swap Counterparty shall be AIG Financial Products Corp., located at 50 Danbury Road, Wilton, CT 06897-4444. Pursuant to the Priority of Payments, scheduled payments required to be made by the Issuer under each Hedge Agreement, together with any termination payments payable by the Issuer other than by reason of an "event of default" or "termination event" (other than an "illegality" or "Tax Event") with respect to which the related Hedge Counterparty is the "defaulting party" or the sole "affected party" (as each such term is defined in the relevant Hedge Agreement), will be payable pursuant to paragraph (4) under "Priority of Payments—Interest Proceeds". Each Hedge Agreement will be governed by New York law.

In respect of any Hedge Counterparty (other than the Initial Interest Rate Hedge Counterparty), if: (x)(i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated below "A1" by Moody's (or rated "A1" by Moody's and on watch for possible downgrade) and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Hedge Rating Determining Party are rated below "P-1" by Moody's or are rated "P-1" by Moody's and such rating is on watch for possible downgrade or (y) if such Hedge

Rating Determining Party does not have a short-term rating from Moody's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated below "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is on watch for possible downgrade, then the relevant Hedge Counterparty shall, within 30 Business Days of such ratings downgrade, enter into an agreement with the Issuer providing for the posting of Collateral, which agreement satisfies the Rating Condition.

In respect of any Hedge Counterparty (other than the Initial Interest Rate Hedge Counterparty), if its Hedge Rating Determining Party fails to satisfy the Ratings Threshold, then the relevant Hedge Counterparty shall assign its rights and obligations in and under the related Hedge Agreement (at its own expense) to another Hedge Counterparty that has ratings at least equal to the Hedge Counterparty Ratings Requirement.

In respect of the Initial Interest Rate Hedge Counterparty:

(i) if a Collateralization Event occurs, the Initial Interest Rate Hedge Counterparty and the Issuer shall enter into an agreement, solely at the expense of the Initial Interest Rate Hedge Counterparty, in the form of the ISDA Credit Support Annex attached as Annex B to the Interest Rate Hedge Agreement; *provided* that, if the Initial Interest Rate Hedge Counterparty has not, within 30 days following a Collateralization Event, (A) provided sufficient collateral as required under the Initial Interest Rate Hedge Agreement, (B) found another Hedge Counterparty in accordance with clause (iii), (C) obtained a guarantor for the obligations of the Initial Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreement with a long-term issuer credit rating from Standard & Poor's of at least "AA-" or a short-term issuer credit rating from Standard & Poor's of at least "A-1+", with a long-term unsecured debt rating from Moody's of at least "Aa3" and a short-term senior unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" and with a short-term issuer credit rating from Fitch of at least "F1+" or, if there is no such short-term credit rating from Fitch, a long-term issuer credit rating from Fitch of at least "AA-" or (D) taken such other steps as each Rating Agency that has downgraded the Hedge Rating Determining Counterparty in respect of the Initial Interest Rate Hedge Counterparty may require to cause the obligations of the Initial Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreement to be treated by such Rating Agency as if such obligations were owed by a counterparty having long-term senior unsecured obligations rated not lower than "Aa2" in the case of Moody's, or "AA" in the case of Standard & Poor's, a Ratings Event will be deemed to have occurred;

(ii) at any time following a Collateralization Event, the Initial Interest Rate Hedge Counterparty may elect, upon 10 days' prior written notice to the Issuer, to transfer the Interest Rate Hedge Agreement and assign its rights and obligations thereunder to another Hedge Counterparty that satisfies the Hedge Counterparty Ratings Requirement in accordance with the terms of the related Hedge Agreement, *provided* that such transfer satisfies the Rating Condition;

(iii) at any time following a Collateralization Event, the Initial Interest Rate Hedge Counterparty may terminate the Interest Rate Hedge Agreement on any Distribution Date; *provided* that (i) the Initial Interest Rate Hedge Counterparty has identified another Hedge Counterparty that satisfies the Hedge Counterparty Ratings Requirement and (ii) the entry into any replacement Interest Rate Hedge Agreement in connection with such termination satisfies the Rating Condition;

(iv) following the occurrence of a Ratings Event, the Issuer may terminate the Interest Rate Hedge Agreement unless the Initial Interest Rate Hedge Counterparty shall either (i) assign its rights and obligations in and under the Interest Rate Hedge Agreement (at its own expense) to another Hedge Counterparty that has ratings at least equal to the Hedge Counterparty Ratings Requirement in accordance with the terms of the Interest Rate Hedge Agreement or (ii) if the Initial Interest Rate Hedge Counterparty is unable to assign its rights and obligations within 30 days, enter into any other agreement with or arrangement for the benefit of the Issuer and the Trustee that is reasonably satisfactory to the Trustee on behalf of the Issuer and that satisfies the Rating Condition.

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

"Collateralization Event", in respect of the Initial Interest Rate Hedge Counterparty, the occurrence of any of the following: (i) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "AA-"; (ii) the short-term issuer credit rating of its Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "A-1+"; (iii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to "Aa3" (and on credit watch for possible downgrade) or below "Aa3", if such Hedge Rating Determining Party has a long-term rating only; (iv) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to "A1" (and on credit watch for possible downgrade) or below "A1" or the short-term senior unsecured debt rating of the Initial Interest Rate Hedge Counterparty, or if no such rating is available, such Hedge Rating Determining Party or, if no such rating is available, an affiliate thereof from Moody's, if so rated by Moody's, falls to "P-1" (and on credit watch for possible downgrade) or below "P-1"; (v) the short-term issuer credit rating of its Hedge Rating Determining Party is withdrawn, suspended or falls below "F1+"; or (vi) if there is no short-term issuer credit rating of the Hedge Rating Determining Party, the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "A".

"Hedge Rating Determining Party", with respect to any Hedge Counterparty, (a) unless clause (b) applies with respect to the related Hedge Agreement, the Hedge Counterparty or any transferee thereof or (b) any Affiliate of the 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. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of the Hedge Counterparty or any such transferee (or against any Person in control of, or controlled by, or under common control with, any such shareholder) shall be deemed to constitute a guarantee, security or support of the obligations of such Hedge Counterparty or any such transferee.

The "Hedge Counterparty Ratings Requirement", with respect to a Hedge Counterparty or any permitted transferee thereof, (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's, or (ii) if no short-term debt obligations of such Hedge Rating Determining Party are rated by Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's, (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 is no such Moody's short-term debt obligations rating, 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 and (c) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "F1" by Fitch or (ii) if there is no such short-term debt rating by Fitch, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A" by Fitch. With respect to the Initial Interest Rate Hedge Counterparty and any replacement thereof, clause (c) of this definition of "Hedge Counterparty Ratings Requirement" shall only apply if the Hedge Rating Determining Party is rated by Fitch.

"Ratings Event" means, with respect to the Interest Rate Hedge Agreement entered into on the Closing Date between the Issuer and the Initial Interest Rate Hedge Counterparty, the occurrence of any of the following: (i) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A2", if the Hedge Rating Determining Party has a long-term rating only; (ii) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Initial Interest Rate Hedge Counterparty, or if no such rating is available, Hedge Rating Determining Party or, if no such rating is available a guaranteed affiliate thereof, from Moody's, if so rated by Moody's, falls to or below "P-2"; (iii) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "A-"; (iv) the short-term issuer credit rating of the Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "A-1"; (v) the short-term issuer credit rating of the Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "F2"; (vi) if there is no such short-term credit rating from Fitch, the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "BBB"; or (vii) the failure of the related Hedge Counterparty to provide,

within 10 days following a Collateralization Event, sufficient collateral as required under the Indenture and the relevant Interest Rate Hedge Agreement.

"Ratings Threshold", with respect to a Hedge Counterparty (other than the Initial Interest Rate Hedge Counterparty), (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Hedge Ratings Determining Party are rated at least "A-1" by Standard & Poor's or (ii) if its Hedge Ratings Determining Party does not have a short-term rating from Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's, (b) (i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Ratings Determining Party are rated at least "A3" by Moody's, *provided* that the Ratings Threshold shall not be satisfied if such obligations are rated "A3" by Moody's and such rating is on watch for possible downgrade and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Ratings Determining Party are rated at least "P-2" by Moody's, *provided* that the Ratings Threshold shall not be satisfied if such obligations are rated "P-2" by Moody's and such rating is on watch for possible downgrade and (c) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the Hedge Ratings Determining Party are rated at least "F1" by Fitch or (ii) if there is no such short-term rating by Fitch, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Ratings Determining Party are rated at least "A" by Fitch. With respect to any Hedge Counterparty replacing the Initial Interest Hedge Counterparty, clause (c) of this definition of "Ratings Threshold" shall only apply if the Hedge Ratings Determining Party is rated by Fitch.

Each Hedge Agreement will be subject to termination upon the earlier to occur of (a) an Event of Default followed by the liquidation of the Collateral in accordance with the Indenture and (b) any Optional Redemption, Auction Call Redemption or Tax Redemption. In the event that amounts are applied to the redemption of Notes on any Quarterly Distribution Date in accordance with the Priority of Payments by reason of a Rating Confirmation Failure or a failure to satisfy either of the Coverage Tests, then, subject to the satisfaction of the Rating Condition, the floating-fixed rate interest swap under the Interest Rate Hedge Agreement will be subject to partial termination on such Quarterly Distribution Date with respect to a portion of the notional amount thereof equal to the aggregate outstanding principal amount of Notes so redeemed on such Quarterly Distribution Date. In addition, subject to satisfaction of the Rating Condition with respect to such reduction and the prior consent of the Hedge Counterparty, the Issuer and a Majority-in-Interest of Preference Shareholders (acting together) may on any Quarterly Distribution Date direct the Issuer to reduce the notional amount of any interest rate swap or cap outstanding under the Interest Rate Hedge Agreement. Upon any such termination or reduction of a notional amount, a termination payment with respect to the notional amount terminated or reduced may become payable by the Interest Rate Hedge Counterparty or the Issuer to the other party under the Interest Rate Hedge Agreement, with such termination payment being calculated as described below.

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. 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. Notwithstanding the foregoing, if 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 agrees not to exercise its right to terminate the relevant Hedge Agreement unless no amounts would be owed by the Issuer to the Hedge Counterparty as a result of such termination (or the Issuer certifies to the Hedge Counterparty that the funds available on the next Quarterly Distribution Date will be sufficient to pay such termination payment); provided, however, in such event, at the option of the Issuer, the Hedge Counterparty shall be required to assign its rights and obligations under the relevant Hedge Agreement and all transactions thereunder at no cost to the Issuer (it being understood that the Hedge Counterparty shall pay the Issuer's expenses in connection therewith, including legal fees) to a party selected by the Hedge Counterparty (with the assistance of the Issuer,

which assistance will not be unreasonably withheld) (the "Subordinated Termination Substitute Party") within 30 days following the selection of a Subordinated Termination Substitute Party by the Hedge Counterparty; provided, that such an assignment will not comply with this provision unless (A) as of the date of such transfer neither the Subordinated Termination Substitute Party nor the Issuer will be required to withhold or deduct on account of any tax from any payments under each Hedge Agreement; (B) a "termination event" or "event of default" does not occur under the Hedge Agreement as a result of such assignment; (C) the Subordinated Termination Substitute Party satisfies the Hedge Counterparty Ratings Requirement; (D) such Subordinated Termination Substitute Party assumes the obligations of the Hedge Counterparty under such Hedge Agreement (through an assignment and assumption agreement in form and substance reasonably satisfactory to the Issuer) or replaces the outstanding transactions under each Hedge Agreement with transactions on substantially identical terms, except that the Hedge Counterparty shall be replaced as counterparty; (E) such assignment satisfies the Rating Condition; (F) the Hedge Counterparty assumes payment of any cost associated with the transfer of the Hedge Agreement and all transactions thereunder to the Subordinated Termination Substitute Party and (G) payment has been made to the Hedge Counterparty by the Subordinated Termination Substitute Party of an amount payable under the terminated Hedge Agreement based on quotations from reference market-makers that satisfy the Hedge Counterparty Ratings Requirement.

Amounts payable upon any such termination or reduction will based upon standard replacement transaction valuation methodology set forth in the 1992 ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc. If any amount is payable by the Issuer to a Hedge Counterparty in connection with the occurrence of any such partial termination or notional amount reduction, such amount, together with interest on such amount for the period from and including the date of termination to but excluding the date of payment at a rate set forth in the Hedge Agreement, shall be payable on such Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments, and any amount not so paid on such Quarterly Distribution Date shall be payable on the first Quarterly Distribution Date on which such amount may be paid in accordance with the Priority of Payments.

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 Issuer has also agreed that at all times prior to the Ramp-Up Completion Date, the Issuer will have entered into one or more rate protection agreements consisting of an interest rate swap and an interest rate cap such that the notional amount under such interest rate protection agreements is at least 90% of the aggregate Principal Balance of the Pledged Securities that are fixed rate securities.

The Accounts

On or prior to the Closing Date the Trustee will have established each of the following accounts (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 (other than 50% of any interest payments on a semi-annual interest paying security received in cash by the Issuer in any Due Period which will deposited in the Semi-Annual Interest Reserve Account), and any amounts payable to the Issuer by a Hedge Counterparty under any Hedge Agreement (other than amounts received by the Issuer by reason of an event of default or termination event under a Hedge Agreement or other comparable event that are required to be used for the purchase by the Issuer of a replacement Hedge Agreement) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Interest Collection Account") which may be a subaccount of the Custodial 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 will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Principal Collection Account" which may be a subaccount of the Custodial Account and, together with the Interest Collection Account, the "Collection Accounts"). The Collection Accounts shall be maintained for the benefit of the Secured Parties and amounts on deposit therein 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".

Amounts received in the Collection Accounts during a Due Period and amounts received in prior Due Periods and retained in the Collection Accounts under the circumstances set forth above in "Description of the Notes—Priority of Payments" will be invested in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Quarterly Distribution Date. All such proceeds will be retained in the Collection Accounts or used as otherwise permitted under the Indenture. See "—Eligibility Criteria".

Payment Account

On or prior to the Business Day prior to each Quarterly 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".

Semi-Annual Interest Reserve Account

On any date upon which the Issuer receives interest payments in cash in respect of semi-annual interest paying securities, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Semi-Annual Interest Reserve Account") 50% of such interest payments on semi-annual interest paying securities. At least one Business Day prior to each Quarterly Distribution Date, the Trustee shall transfer all amounts deposited in the Semi-Annual Interest Reserve Account on or prior to the Determination Date preceding the last Quarterly Distribution Date (including any interest accrued on any such amount) to the Payment Account for application as Interest Proceeds in accordance with the Priority of Payments and such transfer shall be the only permitted withdrawal from, or application of funds on deposit in, or otherwise standing to the credit of, the Semi-Annual Interest Reserve Account.

Uninvested Proceeds Account

On the Closing Date (and following the Closing Date on the date of any Borrowing under the Class A-1 Notes), 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 Collateral Manager and the Initial Purchasers)), the expenses of offering the Offered Securities and amounts deposited in the any other Account on the Closing 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 related Quarterly Distribution Date. The Trustee shall transfer any Uninvested Proceeds to the Payment Account to be treated as Principal Proceeds and distributed in accordance with the Priority of Payments; *provided* that such Uninvested Proceeds shall be applied, *first*, to the payment of principal of Notes in accordance with paragraph (2) of "—Priority of Payments—Principal Proceeds" and, *second*, to the payment of all other amounts required to be made on such Quarterly Distribution Date in accordance with the Priority of Payments. During the Ramp-Up Period, the Collateral Manager on behalf of the Issuer may by notice to the Trustee direct the Trustee to, and upon receipt of the Issuer Order, the Trustee shall (i) apply Cash in the Uninvested Proceeds Account to purchase Collateral Debt Securities or (ii) withdraw Cash in the Uninvested Proceeds Account and deposit it into a Synthetic Security Counterparty Account in connection with the purchase of a Defeased Synthetic Security.

Expense Account

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 Collateral Manager and the Initial Purchasers) and the expenses of offering the Offered Securities, on the Closing Date 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 Quarterly 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.$1,000. 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. 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 Quarterly Distribution Date.

Custodial Account

The Trustee will, prior to the Closing Date, cause the Custodian to establish a Securities Account which shall be designated as the "Custodial Account", which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties and 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 pursuant to the Indenture will be held by the Trustee as part of the Collateral. The Trustee has agreed to give the Issuer immediate notice (with a copy to each Hedge Counterparty, each Rating Agency and the Holders of the Notes of the Controlling Class) if the Custodial Account or any funds on deposit therein, or otherwise standing to the credit of the Custodial Account, shall become subject to any writ, order judgment, warrant of attachment, execution or similar process. The Co-Issuers shall not have any legal, equitable or beneficial interest in the Custodial Account other than in accordance with the Priority of Payments.

Interest Reserve Account

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 Collateral Manager and the Initial Purchasers) and the expenses of offering the Offered Securities, on the Closing Date U.S.$400,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single, 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. The only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Interest Reserve Account shall be as follows: at least one Business Day prior to the first Quarterly Distribution Date, the Trustee will transfer U.S.$400,000 from the Interest Reserve Account to the Payment Account for application (x) as Interest Proceeds on the first Quarterly Distribution Date for distribution to the Holders of the Class A-1 Notes if, and only to the extent, necessary for such Noteholders to receive the accrued and unpaid interest due and payable in respect of such Notes on such first Quarterly Distribution Date pursuant to paragraph (5) of "Priority of Payments — Interest Proceeds" and (y) to the extent that there are any amounts remaining after application as provided in the preceding clause (x), for application as Interest Proceeds in accordance with the Priority of Payments.

Synthetic Security Counterparty Accounts

For each Defeased Synthetic Security, the Trustee will establish a single, segregated account (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. The Trustee and the Issuer shall, in connection with the establishment of a Synthetic Security Counterparty Account, enter into a separate account control and security agreement with the Synthetic Security Counterparty setting forth the rights and obligations of the Issuer, the Trustee and the Synthetic Security Counterparty with respect to such account and pursuant to which the Issuer shall grant the Trustee a first priority security interest in such Synthetic Security Counterparty Account for the benefit of the Synthetic Security Counterparty. As directed by Issuer Order executed by the Collateral Manager, the Trustee will withdraw from the Uninvested Proceeds 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 Defeased Synthetic Security to the extent that the relevant amount has not been deposited in the Synthetic Security Counterparty Account from the net proceeds received by the Issuer from the issuance of the Notes and the Preference Shares or Borrowings under the Class A-1 Notes, which amount shall be at least equal to the amount referred to in paragraph (a) of the definition of Defeased Synthetic Security.

In accordance with the terms of the applicable Defeased Synthetic Security and related account control and security agreement, amounts standing to the credit of a Synthetic Security Counterparty Account shall be invested in Eligible

Investments. Amounts and property credited to a Synthetic Security Counterparty Account shall be withdrawn by the Trustee and applied to the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Defeased Synthetic Security. To the extent that the Issuer is entitled to receive interest on Eligible Investments credited to a Synthetic Security Counterparty Account, the Collateral Manager shall, by Issuer Order, direct the Trustee to deposit such amounts in the Interest Collection Account. After payment of all amounts owing by the Issuer to a Synthetic Security Counterparty in accordance with the terms of the related Defeased Synthetic Security or a default by the Synthetic Security Counterparty which entitles the Issuer to terminate its obligations with respect to such Synthetic Security Counterparty, the Collateral Manager, by Issuer Order, shall direct the Trustee to withdraw all funds and other property credited to the Synthetic Security Counterparty Account related to such Defeased Synthetic Security and credit such funds and other property to the Principal Collection Account (in the case of Cash and Eligible Investments) and the Custodial Account (in the case of Collateral Debt Securities and other financial assets) for application in accordance with the terms of the Indenture.

Except for interest on Eligible Investments standing to the credit of a Synthetic Security Counterparty Account payable to the Issuer as described pursuant to the preceding paragraph, funds and other property standing to the credit of a Synthetic Security Counterparty Account shall not be considered to be an asset of the Issuer for purposes of the Collateral Quality Test or Coverage Test; however the Defeased Synthetic Security that relates to such Synthetic Security Counterparty Account shall be considered an asset of the Issuer for such purposes.

Each Synthetic Security Counterparty 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, if rated "Baa1", not be on watch for possible downgrade 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.

Synthetic Security Issuer Accounts

If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee shall cause to be established a Securities Account in respect of such Synthetic Security (each such account, a "Synthetic Security Issuer Account"), which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Upon Issuer Order, the Trustee, the Issuer and the Custodian shall enter into an account control agreement with respect to such account in a form substantially similar to the Account Control Agreement. The Trustee shall credit to any such Synthetic Security Issuer Account all funds and other property received from the applicable Synthetic Security Counterparty to secure the obligations of such Synthetic Security Counterparty in accordance with the terms of such Synthetic Security.

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

Funds and other property standing to the credit of 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; however, the Synthetic Security that relates to such Synthetic Security Issuer Account shall be considered an asset of the Issuer for such purposes.

In accordance with the terms of the applicable Synthetic Security, funds and other property standing to the credit of the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager by Issuer Order, be withdrawn by the Trustee and applied to the payment of any amount owing by the related Synthetic Security Counterparty to the Issuer. After payment of all amounts owing by the Synthetic Security Counterparty to the Issuer in accordance with the terms of the related Synthetic Security, all funds and other property standing to the credit of the related Synthetic Security Issuer Account shall be withdrawn from such Synthetic Security Issuer Account and paid or transferred 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, if rated "Baa1", not be on watch for possible downgrade 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.

THE COLLATERAL MANAGEMENT AGREEMENT

The information appearing under the subheading "The Collateral Management Agreement – Vanderbilt Capital Advisors, LLC" has been prepared by the Collateral Manager and has not been independently verified by the Co-Issuers, the Initial Purchasers, the Trustee or any other person. Accordingly, the Collateral Manager assumes the responsibility for the accuracy, completeness or applicability of such information appearing under such subheading.

The Collateral Management Agreement

Prior to the Closing Date, the Issuer will enter into a Collateral Management Agreement (the "Collateral Management Agreement") with Vanderbilt Capital Advisors, LLC (the "Collateral Manager" or "VCA") whereby the Collateral Manager will undertake to select all Collateral Debt Securities to be purchased by the Issuer on the Closing Date and to the Ramp-Up Completion Date and to perform certain other advisory and administrative tasks for or on behalf of the Issuer, including (i) advising the Issuer regarding the disposition and tender of Equity Securities and Eligible Investments, (ii) advising the Issuer in connection with an Optional Redemption, Tax Redemption, Auction Call Redemption or a redemption of the Preference Shares, (iii) advising the Issuer regarding the exercise or waiver of remedies in respect of Defaulted Securities or Credit Risk Securities and the exercise of voting rights with respect to Collateral Debt Securities, (iv) assisting the Issuer in determining the fair market value of Collateral Debt Securities in accordance with procedures set forth in the Indenture and consulting with the Issuer regarding replacement dealers and pricing services used to make such determination, (v) assisting the Issuer in obtaining quotations for and negotiating and entering into, if necessary, any replacement Hedge Agreement in accordance with the terms of the Indenture; and (vi) consulting with the Issuer regarding replacement or successor Trustees, Calculation Agents, Note Registrars and accountants.

As compensation for the performance of its obligations under the Collateral Management Agreement, the Collateral Manager will be entitled, to the extent there are funds available therefor in accordance with the Priority of Payments, to receive (i) a Senior Management Fee (the "Senior Management Fee") equal to 0.10% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date, (ii) a Subordinate Management Fee (the "Subordinate Management Fee") equal to 0.09% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date and (iii) an Incentive Management Fee (the "Incentive Management Fee" and, together with the Senior Management Fee and the Subordinate Management Fee, the "Management Fees") as calculated under the Collateral Management Agreement and the Indenture. See "Description of the Notes—Certain Definitions".

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 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 the maintenance of the ratings of the Notes. Such expenses will be paid by the Issuer.

The Collateral Manager, its directors, officers, stockholders, partners, members, agents and employees and its affiliates and their directors, officers, stockholders, partners, members, managers, agents and employees, will not be liable to the Co-Issuers, the Trustee, the Preference Share Paying Agent, the Noteholders, the Preference Shareholders, any Hedge Counterparty or any other person for any losses, claims, damages, judgments, assessments, costs or other liabilities incurred by the Co-Issuers, Trustee, the Preference Share Paying Agent, the Noteholders, the Preference Shareholders, any Hedge Counterparty or any other person that arise out of or in connection with the performance by the Collateral Manager of its duties under the Collateral Management Agreement except that the Collateral Manager shall be liable to the Issuer for any losses, claims, damages, judgments, assessments, costs or other liabilities arising (i) by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or breach of fiduciary duty in the performance or reckless disregard of its obligations under the Collateral Management Agreement and (ii) with respect to the information concerning the Collateral Manager provided by it for inclusion in the final Offering Circular, such information containing any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Issuer will indemnify and hold harmless the Collateral Manager, its affiliates and each of the directors, officers, stockholders, partners, members, managers, agents and employees

of the Collateral Manager or any of their respective affiliates from and against any and all losses, claims, damages, judgments, assessments, costs or other liabilities and all out-of-pocket expenses (including reasonable fees and disbursements of counsel) incurred by any such indemnified party in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation to which such indemnified party is a party caused by, or arising out of or in connection with, the issuance of the Offered Securities, the transactions contemplated by this Offering Circular, the Indenture or the Collateral Management Agreement, and/or any action taken by, or any failure to act by, such indemnified person, in each case, as such expenses are incurred or paid; provided that no such person shall be indemnified for any such liabilities or expenses arising (i) by reason of 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 and (ii) with respect to the information concerning the Collateral Manager provided by it for inclusion in the final Offering Circular, such information containing any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Any such indemnification by the Issuer will be paid in accordance with the Priority of Payments.

In performing its duties under the Collateral Management Agreement and the Indenture, the Collateral Manager shall use reasonable care, following its customary standards, practices and procedures in performing its duties thereunder.

The Collateral Manager may not assign its responsibilities under the Collateral Management Agreement without the consent of the Issuer and the holders of a majority in aggregate principal amount of Notes of the Controlling Class and a Majority-in-Interest of Preference Shareholders and the satisfaction of the Rating Condition.

Vanderbilt Capital Advisors, LLC ("VCA")

VCA, with its principal office at 200 Park Avenue, New York, New York, 10166, will act as Collateral Manager. The firm is a registered investment advisor under the Investment Advisors Act of 1940. VCA manages in excess of $3.5 billion in fixed income assets for over 65 clients. VCA is a research-driven firm with longstanding experience in structured fixed income products and asset backed securities.

Set forth below is information regarding the key executives who will select and monitor the collateral portfolio or provide managerial or executive support to the program:

Emad A. Zikry, Chief Executive Officer. Mr. Zikry is President and Chief Executive Officer of VCA. Previously, he was Managing Director and Head of Fixed Income and Quantitative Services at Mitchell Hutchins Institutional Investors, Inc. Mr. Zikry has had numerous articles published in professional and academic journals such as The Journal of Forecasting, The American Economist and The Journal of Fixed Income. He is a Board member of The National Investment Company and an Associate of The Foreign Policy Association. Mr. Zikry is an NASD Arbitrator. He is also a member of the Fixed Income Analysts Society, the National Association of Business Economist, the International Foundation of Employee Benefit Plans, the Economic Club of New York, and the Chief Executive Officers Club. He is a member of the Board of Advisors of the Pacific Institute and serves on The Advisory Committee of Fulcrum Global Partners and the Board of Directors of the Park Avenue Bank as well as Quality Systems, Inc. B.S. State University of New York; M.A. and Ph.D. in Economics, University of Kansas.

Thomas A. Goepfert, Managing Director. Mr. Goepfert has been managing Fixed Income Total Return accounts for 25 years. Mr. Goepfert began his career at Manufacturers Hanover Trust Company and he joined Manufacturers Hanover Investment Corporation upon its formation. Mr. Goepfert was a Senior Vice President with Mitchell Hutchins Institutional Investors, Inc. He is responsible for the development and implementation of yield curve strategies, and allocation of assets among the various fixed income sectors. B.B.A. Hofstra University; M.B.A. Bernard Baruch College.

James J. Coleridge, Chief Financial Officer. Mr. Coleridge has 30 years of investment experience. As Compliance Officer for the firm, he fulfills the requirements of regulatory authorities. Mr. Coleridge's career began at Manufacturers Hanover Trust Company and he joined Manufacturers Hanover Investment Corporation upon its formation as Chief Operating Officer. Mr. Coleridge was also a Managing Director and Chief Administrative Officer with Mitchell Hutchins Institutional Investors, Inc. B.A. Kean College.

Patrick A. Livney, Managing Director. Mr. Livney has over 17 years of investment experience. Mr. Livney was a Partner at Asset Allocation & Management Company responsible for the CBO platform and Marketing. Prior to that, he served as Senior Vice President Sales at Prudential Securities, Inc. B.S. Roosevelt University, Chicago.

Edward J. O'Hara, Managing Director. Mr. O'Hara has 20 years of investment experience. Mr. O'Hara focuses on the mortgage sector with an emphasis on mortgage pass-throughs, CMO's and CMBS. He was previously a Managing Director at INVESCO where he specialized in Mortgage-backed and Asset-backed securities. Prior to that he was a Senior Portfolio Manager at Ark Asset Management serving in a similar capacity. B.S. in accounting, University of Bridgeport.

Vincent Timpanelli, Head of Operations . Mr. Timpanelli supervises the reconciliation and trade settlement process, customized reporting and acts as the liaison to Vanderbilt Capital Advisors Portfolio Accounting System (PAM). Previously he was assistant portfolio manager at Vanderbilt Capital Advisors, worked as a trading assistant in Emerging Markets and as a sales assistant in Mortgage-Backed Securities for Paine Webber's Institutional Fixed Income Trading desk. Vincent holds a BA from St. John's University. He has eight years of investment experience.

Robert l. Maddox, Executive Vice President. Mr. Maddox is involved in legal and structured finance issues at VCA. He is an AIMR member and a Fellow in the Life and Health Insurance Management Institute. B.A., cum laude, Harvard University; J.D., with high honors, Duke Law School.

Stephen C. Bernhardt, Senior Portfolio Manager. Mr. Bernhardt has 18 years of investment experience. Mr. Bernhardt focuses on the MBS/ABS sectors with an emphasis on pass-through and structured mortgages. He held similar positions at Prudential Securities, Smith Barney, Asset Allocation & Management, and Dean Witter Reynolds. B.A. Brown University.

David E. Ortiz, CFA, Senior Portfolio Manager. Mr. Ortiz has 10 years of investment experience. Mr. Ortiz focuses on the corporate sector with an emphasis on quantitative credit research. Previously, he held the position of Partner at Asset Allocation & Management responsible for private placement and cyclical corporate credit research. Prior to that, he worked as corporate credit research analyst for Prudential Capital's Private Placement Group. M.B.A. in finance, University of Chicago; B.S. in finance, Miami University of Ohio.

Lawrence R. Zeno, Senior Portfolio Manager. Mr. Zeno has 13 years of investment experience. Mr. Zeno focuses on the ABS/CMBS sectors. Previously, he held the position of Senior Manager of trading at Asset Allocation & Management Company where he also managed the ABS/CMBS Structured Finance portfolio. B.A. Northwestern University.

Suzanne Saurack, Senior Portfolio Manager. Ms. Saurack has nine years of investment experience. Ms. Saurack focuses on the mortgage sector with an emphasis on tracking credit sensitive mortgages. She was previously an interest rate derivatives professional at Bank of America. B.S. in Finance and B.A. in Economics, University of Pennsylvania; Passed Level 1 examination of the CFA program.

Marc Konheiser, Senior Operations Manager. Mr. Konheiser has 10 years of investment experience. Mr. Konheiser is primarily responsible for coordinating the processing of trades and resolving any settlement issues between broker-dealers and accounts' custodian banks. Prior to VCA, he held several positions at AMBAC-Cadre most recently as a money market portfolio manager. B.A. University of New York at Stony Brook.

Joseph Carlino, Operations Specialist. Mr. Carlino has over twenty years of experience in Financial Operations. Mr. Carlino is responsible for developing, implementing and monitoring a comprehensive risk management program. He worked at Mellon Financial Corporation and at Goldman Sachs & Co. Mr. Carlino holds a B.A. from St. Francis College.

Ben Safanda, Portfolio Manager. Mr. Safanda has four years of investment experience. Mr. Safanda focuses on quantitative analysis across all of the market sectors. Previously, he supported the CDO platform at Asset Allocation & Management. B.A. Haverford College.

Fuad Hageb, Vice President. Mr. Hageb has over 15 years of investment experience. Mr. Hageb is the Data Base Manager at VCA. He is also involved with the review of internal policies and procedures, system upgrades and numerous

other special projects. Mr. Hageb attended the New York Institute of Technology and majored in Finance and Business Management.

Thomas Ciminello, Operations Assistant. Mr. Ciminello has over eight years of experience in the financial industry. Mr. Ciminello assists in trade processing and trade settlement. He is also involved with cash and asset reconciliation. Previously, Mr. Ciminello worked at First Broker Securities and Paine Webber. Mr. Ciminello holds a B.A. from Southern New Hampshire University.

Khal Darwish, Assistant Portfolio Manager/Proxy Officer. Mr. Darwish has five years of investment experience. Mr. Darwish focuses on the Corporate sector. B.S. Manhattan College.

INCOME TAX CONSIDERATIONS

The following is a summary based upon 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, that 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, 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. 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 OR THE 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 franchise tax in the Cayman Islands. The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company. The Issuer has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in substantially the following form:

"The Tax Concessions Law
(1999) Revision
Undertaking as to Tax Concessions

In accordance with Section 6 of the Tax Concession Law (1999 Revision) the Governor in Cabinet undertakes with Lakeside CDO II, Ltd. (the "Issuer"):

(a) That no law which is hereinafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and

(b) In addition, that no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Issuer; or

(ii) by way of the withholding in whole or in part of any relevant payments as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of thirty years from the date of issue.

Governor in Cabinet

U.S. Taxation

The Issuer expects that it will not be engaged in a trade or business in the United States, and that 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 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. 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. Income from Equity Securities of U.S. issuers is likely to be subject to U.S. tax. The extent to which United States or other source country withholding taxes may apply to the Issuer's income will depend on the actual composition of its assets. 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 distributions by the Issuer in respect of the Notes or 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 (a) the Holder or the legal representative of such Holder whose Note or Preference Share is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty under the laws of the Cayman Islands in respect of such Notes or Preference Shares and (b) an instrument transferring title to a Note or Preference Share, if brought to or executed in the Cayman Islands, will be subject to Cayman Islands stamp duty).

U.S. Taxation

Notes

Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, believes that the Class A-1 Notes, the Class A-2 Notes and the Class B Notes will, and the Class C Notes should, be treated as debt for U.S. Federal income tax purposes. The Issuer intends to treat all of 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 and Commitment Fee paid on the Class A-1 Notes generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of accounting. A U.S. Holder must accrue interest on a Note 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, however, increase (or decrease) if the interest actually paid during the period is more (or less than) the amount accrued at the hypothetical fixed rate. Thus, interest on the Notes effectively will accrue in any accrual period at the rate set for that period. Interest on a Note and Commitment Fee paid on the Class A-1 Notes 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. Commitment Fee 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 B Notes or the Class C Notes, all interest payable on the relevant Class of 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 B Note or 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 generally will recognize a 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's basis in a Note includes accrued but unpaid OID, the holder may be required specifically to disclose any loss on its tax return under recent regulations on tax shelter transactions.

Non-U.S. Holders. Interest and Commitment Fee 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. 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 and Commitment Fee paid to a Non-U.S. Holder also will not be subject to U.S. Federal 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 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 the same as those of investing in the Preference Shares.

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. Dividends will not be eligible for the dividends-received deduction allowable to corporations or for the 15% rate applicable to dividend income of individuals. For purposes of determining a U.S. Holder's foreign tax credit limitation, dividends received from a foreign corporation generally are treated as income from sources outside the United States. If U.S. Holders together hold at least half (by vote or value) of the Preference Shares and other interests treated as equity in the Issuer, however, a percentage of the dividend income equal to the proportion of the Issuer's income that comes from U.S. sources will be treated as income from sources within the United States. 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.

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). A U.S. Holder may realize gain for this purpose not only through a sale or other disposition, but also by pledging the Preference Shares as security for a loan or entering into certain constructive disposition transactions. 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 QEF election, the U.S. Holder will be required to include in gross income each year, whether or not the Issuer makes distributions, its pro rata share of the Issuer's net earnings. That income will be long-term capital gain to the extent of the U.S. Holder's pro rata share of the Issuer's net capital gains; the remainder will be ordinary income. "Net capital gains" generally means net long-term capital gains reduced by net short-term capital losses. Amounts recognized by a U.S. Holder making a QEF election generally are treated as income from sources outside the United States. If U.S. Holders together hold at least half (by vote or value) of the Preference Shares and other interests treated as equity in the Issuer, however, a percentage of those amounts equal to the proportion of the Issuer's income that comes from U.S. sources will be U.S. source income for the U.S. Holders. 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.

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.

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 the Preference Shares and any other 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 the Preference Shares and any other 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 net earnings (including capital gains) for the tax year whether or not the Issuer makes a distribution. The income will be treated as income from sources within the United States to the extent it arose from U.S. sources. 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 and certain other persons and (iii) certain other restrictions may apply. Subject to a special limitation for individual U.S. Holders that have held the Preference Shares for more than one year, gain from disposition of Preference Shares 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 the Preference Shares accumulated while the U.S. Holder held the Preference Shares and the Issuer was a CFC.

The Issuer will be a foreign personal holding company (an "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 relationships 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 not be subject to 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. A U.S. Holder may be required specifically to disclose any loss on the Preference Shares on its tax return under recent regulations on tax shelter transactions. When the Issuer is an FPHC or the U.S. Holder holds 10% of the shares in a CFC or QEF, the holder also must disclose any Issuer transactions reportable under the those regulations. The Issuer will provide holders of the Preference Shares with information about Issuer transactions reportable under those regulations. U.S. Holders are urged to consult their tax advisors about these and all other specific reporting requirements.

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 that 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 and the Initial Purchasers 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 Purchasers, 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, 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-1 Notes, the Class A-2 Notes, the Class B Notes or the Class C Notes will constitute "equity interests" in the Co-Issuers.

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) 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 initial 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 Paying 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 Paying Agency Agreement, and such other certificates and other information as the Issuer 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 Paying Agency Agreement.

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 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 by the Issuer 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", there are several provisions of ERISA that could be implicated if an ERISA Plan were to acquire and hold Preference Shares either directly or by investing in an entity whose underlying assets are deemed to be assets of the ERISA Plan. It is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of an ERISA Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied. It is also not clear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of

ownership of any assets of a plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to this requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

The sale of any Offered Security to a Plan is in no respect a representation by the Issuer, the Initial Purchasers 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 OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION AND HOLDING OF SUCH NOTE WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF 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 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 SHARE 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. NO TRANSFER OF A PREFERENCE SHARE WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE PAYING AGENT WILL RECOGNIZE ANY SUCH TRANSFER AFTER THE CLOSING DATE IF SUCH TRANSFER IS TO A BENEFIT PLAN INVESTOR.

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. §2550.40c-1.

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 Purchasers will enter into a Purchase Agreement (the "Purchase Agreement") relating to the purchase and sale of the Offered Securities to be delivered on the Closing Date. In the Purchase Agreement, the Co-Issuers will agree to sell to the Initial Purchasers, and the Initial Purchasers will agree to purchase, the entire principal amounts of the Class A-1 Notes and Class A-2 Notes (with respect to MLPFS only), Class B Notes and Class C Notes and all of the Preference Shares as set forth in the Purchase Agreement, and to privately place (with respect to MLPFS only) the Class A-1 Notes, in each case with eligible investors. The obligations of the Initial Purchasers under the Purchase Agreement are subject to the satisfaction of certain conditions set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, each of the Co-Issuers will agree to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect thereof.

The Co-Issuers have been advised by the Initial Purchasers that the Initial Purchasers propose to sell the Offered Securities (a) in the United States in reliance upon an exemption from the registration requirements of the Securities Act to Qualified Purchasers who are also either (i) Qualified Institutional Buyers or (ii) Accredited Investors and (b) outside the United States to persons who are not U.S. persons (as defined in Regulation S) in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act and, in each case, in accordance with applicable laws.

CERTAIN SELLING RESTRICTIONS

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, each 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, each 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, each 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 Purchasers reasonably believes is a Qualified Institutional Buyer or 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) that 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 in registered form bearing a restrictive legend thereon, the Initial Purchasers 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 Purchasers shall have agreed most recently shall be used for offers and sales in the United States.

(3) In the Purchase Agreement, each Initial Purchaser will represent and agree that in connection with each sale 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

Each 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

Each 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 any of the Offered Securities.

Hong Kong

Each Initial Purchaser will also represent and agree as follows:

(1) that it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, the Notes other than to persons whose ordinary business it is to buy or sell shares of debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong (the "Companies Ordinance"); and

(2) unless it is a person permitted to do so under the securities laws of Hong Kong, it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purpose of issue, in Hong Kong, any advertisement, invitation or document relating to the Notes, other than with respect to Notes intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal, or holdings of securities, whether as principal or agent.

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 Offering Circular, 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.

TRANSFER RESTRICTIONS

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

Investor Representations on Initial Purchase. Each Original Purchaser of Notes (or any beneficial interest therein) will be deemed to acknowledge, represent and warrant to and agree with the Co-Issuers and the Initial Purchasers (or, in the case of the Class A-1 Notes and Class A-2 Notes, MLPFS), and each purchaser of Preference Shares will be required in an Investor Application Form to acknowledge, represent and warrant to and agree with the Issuer and the Initial Purchasers 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, nor has the SEC or any other governmental authority or agency 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.* Each purchaser of a Note (if required by the Indenture) and each purchaser of Preference Shares will, prior to any sale, pledge or other transfer by it of any such Offered Security (or any interest therein), obtain from the transferee and deliver to the Issuer and the Note Registrar (in the case of a Note) or the Preference Share Registrar (in the case of a Preference Share) a duly executed transferee certificate in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Trustee (in the case of the Notes) or the Preference Share Registrar (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 the Indenture, the Issuer Charter or the Preference Share Paying Agency Agreement. In addition, a transferee of a beneficial interest in a Class A-2 Note in the form of a Restricted Global Note will be required to comply with the certification requirements described in the Class A-2 Notes Supplement.

(3) *Minimum Denominations.* The purchaser agrees that no Offered Security (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth in the Indenture (in the case of the Notes) or the Issuer Charter (in the case of the Preference Shares); *provided* that those investors that, with the consent of the Initial Purchasers, purchased less than 250 Preference Shares on the Closing Date, and any transferees of such investors may transfer all (but not some) of the Preference Shares held by them.

(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. Accordingly, the certificates representing the Offered Securities will bear a legend stating that the Offered Securities have not been registered under the Securities Act and setting forth certain of the restrictions on transfer of the Offered Securities described herein. The purchaser understands that neither the Issuer nor (in the case of the Notes) the Co-Issuer has any obligation to register any of 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 and the Issuer Charter).

(5) *Accredited Investor or Non-U.S. Person Status; Investment Intent.* In the case of a purchaser who takes delivery of the Offered Securities in the form of a Restricted Global Note (or interest therein) or a Restricted Preference Share, it is an Accredited Investor and is acquiring the Offered Securities 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 who takes delivery of Regulation S Notes or Regulation S Preference Shares, (i) it is not a U.S. Person and is purchasing such Note or Preference Share for its own account and not for the account or benefit of a U.S. Person and (ii) it understands that (A) interests in a Regulation S Global Note and Regulation S Global Preference Shares may only be held through Euroclear or Clearstream, Luxembourg, (B) in the case of Regulation S Preference Shares, delivery may be made only in accordance with the certification requirements set forth in the Issuer Charter and the Preference Share Paying Agency

Agreement and (C) if in the future it decides to transfer interests held in such Regulation S Global Note or Regulation S Global Preference Shares, it will transfer the interest in such Regulation S Preference Share or Regulation S Global 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 Note or a Restricted Definitive Preference Share.

(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 any of the Initial Purchasers, the Issuer, the Co-Issuer, the Collateral Manager or any of their respective affiliates (or any representative of any of the foregoing) and (d) has determined that an investment in Offered Securities is suitable and appropriate for it. The purchaser has received, and has had an adequate opportunity to review 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 and the terms and conditions of the offering of the Offered Securities.

(7) *Certain Resale Limitations; Rule 144A.* The purchaser is aware that no Offered Securities (or any interest therein) may be offered, sold, pledged or otherwise transferred to (a) a transferee acquiring a Restricted Global Note (or interest therein) or Restricted Preference Share except (i)(A) to a transferee 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 and that is a Qualified Purchaser or (B) solely in the case of a Restricted 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), (ii) to a transferee that is a U.S. Person, (iii) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (iv) in the case of any transfer of a Preference Share after the Closing Date, to a transferee who is not a Benefit Plan Investor, (v) in compliance with the certification (if any) and other requirements set forth in the Indenture, the Issuer Charter or the Preference Share Paying Agency Agreement and (vi) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction or (b) a transferee acquiring an interest in a Regulation S Note or a Regulation S Preference Share except (i) to a transferee that is acquiring such interest in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (ii) to a transferee that is not a U.S. Person, (iii) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (iv) in the case of any transfer of a Preference Share (other than a transfer from the Issuer or an Initial Purchaser), to a transferee who is not a Benefit Plan Investor, (v) in compliance with the certification (if any) and other requirements set forth in the Indenture, the Issuer Charter or the Preference Share Paying Agency Agreement and (vi) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

(8) *Limited Liquidity.* The purchaser understands that there is no market for any Class of Offered Securities and that no assurance can be given as to the liquidity of any trading market for such Class of Offered Securities or that a trading market for such Class of Offered Securities will develop. It further understands that, although the Initial Purchasers may from time to time make a market in a Class of Offered Securities, the Initial Purchasers are not under any 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 such Offered Securities for an indefinite period of time or until their maturity.

(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 a Note (or any interest therein) may be made (a) to a transferee acquiring Restricted Notes (or any interest therein) except to a transferee that is a Qualified Purchaser (b) to a transferee acquiring an interest in a Regulation S Note that is not a U.S. Person in

an offshore transaction in accordance with Regulation S or (c) if 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. 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"): (x) 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 (y) 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), and is not acting on behalf of (and for so long as it holds any Note or interest therein will not be) 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 Federal, state or local law that is similar to the prohibited transaction provisions of section 406 of ERISA or 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. 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).

In the case of a purchaser of a Preference Share, except as otherwise disclosed in the Investor Application Form (or, in the case of a transfer, the transferee certificate), the purchaser is not (i) a "benefit plan investor", as defined in United States Department of Labor Regulations at 29 C.F.R. § 2510.3-101(f) (a "Benefit Plan Investor") or (ii) a person other than a Benefit Plan Investor who has discretionary authority or control with respect to the assets of the Issuer or provides investment advice with respect to the assets of the Issuer for a fee, direct or indirect, with respect to such assets or is an affiliate of any such person (a "Controlling Person"). If a purchaser of a Preference Share is a Benefit Plan Investor that is subject to Title I of ERISA, Section 4975 of the Code or any Similar Law, it represents and warrants that its purchase and ownership of 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 (or any interest therein) may be made (other than a transfer from the Issuer or an Initial Purchaser) 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*. In the case of a purchaser that is a U.S. Person, it is either (a) not a Flow-Through Investment Vehicle or (b) a Qualifying Investment Vehicle. 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 (including its investment in all Classes of Notes and the Preference Shares) 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 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" is 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, to the Co-Issuers and the Note Registrar or the Preference Share Registrar, as the case may be, each of the representations set forth in this Offering Circular and in the Indenture, the Issuer Charter or the Preference Share Paying Agency Agreement required to be made upon transfer of any Offered Securities (with modifications to such representations satisfactory to the Issuer to reflect the indirect nature of the interests of such beneficial owners in such Notes, including any modification permitting an initial beneficial owner of securities issued by such entity to represent that it is an Accredited Investor).

If the purchaser is a U.S. Person that is a Qualifying Investment Vehicle, (a) either (i) none of the beneficial owners of its securities is a U.S. Person or (ii) 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 it is a Qualified Purchaser and (b) the purchaser 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).

(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 in the Indenture, the Issuer Charter or the Preference Share Paying Agency Agreement, 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 Trustee, the Note Registrar (in the case of the Notes) and 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.

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 and (B) is not a Qualified Institutional Buyer (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note or interest therein directly from the Co-Issuers or the Initial Purchasers) and also 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 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, (i) 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 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 and the Co-Issuers, in connection with such transfer, that such person is a both Qualified Institutional Buyer and a Qualified Purchaser and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

(13) *Limitation on Sales of Preference Shares to Reg Y Institutions.* Each purchaser of Preference Shares understands that no Reg Y Institution may transfer any Preference Shares held by it to any person other than (i) a person or group of persons under common control that controls the Issuer without reference to any Preference Shares transferred to such person or group by such Reg Y Institution (a "Reg Y Controlling Party"), (ii) a person or persons designated by a Reg Y Controlling Party, (iii) in a widespread public distribution as part of a public offering, (iv) in amounts such that, after giving effect thereto, no single transferee and its affiliates will hold more than 2% of the aggregate number of Preference Shares (including all options, warrants and similar rights exercisable or convertible into Preference Shares) or (v) as otherwise permitted by applicable U.S. Federal banking law and regulations.

(14) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Initial Purchasers, the Trustee, the Collateral Manager and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made 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 Purchasers.

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

(16) *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" 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 PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), (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 STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE 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 WHO IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN THE INVESTMENT COMPANY ACT OR (II) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS", (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 PERSON WHO 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) 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 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 FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, A PLAN OR ANY OTHER BENEFIT PLAN INVESTOR OR (B) THE ACQUISITION AND HOLDING OF THIS SECURITY WILL NOT CONSTITUTE A NONEXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, ANY MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. THIS

NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A REGULATION S NOTE UPON RECEIPT BY THE TRUSTEE OF A TRANSFER CERTIFICATE FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM 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.

The following shall be inserted in the case of Global Notes:

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.

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

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 REGULATION S UNDER THE SECURITIES ACT) AND (B) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER (OR, IN THE CASE OF THE INITIAL PURCHASER OF SUCH RESTRICTED NOTE OR INTEREST THEREIN, AN ACCREDITED INVESTOR) 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 AND THE CO-ISSUERS, 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, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR 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.

(17) *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" 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 PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE 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 WHO IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN THE INVESTMENT COMPANY ACT OR ACTING FOR THE ACCOUNT OF A "QUALIFIED PURCHASER" OR (II) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS", (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")) (OTHER THAN A TRANSFER FROM THE ISSUER OR AN INITIAL PURCHASER), (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 PAYING 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 ACQUIRING A BENEFICIAL INTEREST IN SUCH 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 PAYING AGENCY AGREEMENT REFERRED TO HEREIN. ACCORDINGLY, AN INVESTOR IN THE PREFERENCE SHARES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS SECURITY 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) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (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 FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF

SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) THE ACQUISITION AND HOLDING OF THIS SECURITY WILL NOT CONSTITUTE A NONEXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, ANY SIMILAR FEDERAL, STATE OR LOCAL LAW). THE PREFERENCE SHARES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS ONLY IF THE PURCHASER IS (a)(1) A QUALIFIED INSTITUTIONAL BUYER AND (2) A QUALIFIED PURCHASER AND (b) ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, AND IN AN AMOUNT NOT LESS THAN THE MINIMUM TRADING LOT SPECIFIED IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT. IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING 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 (A) BOTH A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR 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 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 COMMERCIALLY REASONABLE SALE ARRANGED BY THE ISSUER (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 AND THE ISSUER, 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 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.

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 THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE FOR A DEFINITIVE PREFERENCE SHARE CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF A

DEFINITIVE PREFERENCE SHARE CERTIFICATE FOR AN INTEREST IN THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE IN ACCORDANCE WITH THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE LIQUIDATION PREFERENCE EVIDENCED HEREBY.

Investor Representations on Resale. Except as provided below, each transferee of an Offered Security will be required to deliver to the Co-Issuers and the Note Registrar or the Preference Share Paying Agent, as the case may be, a duly executed transferee certificate in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying 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. An owner of a beneficial interest in a Regulation S Global Note or a Regulation S Global Preference Share may transfer such interest in the form of a beneficial interest in such Regulation S Global Note a Regulation S Global Preference Share without the provision of written certification, *provided* that (1) such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and such transfer is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures and (2) any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision to the Note Registrar or the Preference Share Paying Agent, as the case may be, of written certification from the transferee and transferor in the form provided for in the Indenture. 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 if the transferee is both a Qualified Institutional Buyer and a Qualified Purchaser.

Each transferee of a beneficial interest in a Regulation S Global Note, Restricted Global Note or Regulation S Global Preference Share will be deemed to make the same representations and warranties at the time of purchase that a transferee of a Note or Preference Share subject to equivalent transfer restrictions that is required to deliver a transfer certificate would be required to make pursuant to such transferee certificate.

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 who is not required to deliver a certificate will be deemed (a) to acknowledge, represent and warrant to and agree with the Issuer and the Trustee as to the matters set forth in each of paragraphs (1) through (15) above (other than paragraph (6) above) as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) to further represent and warrant to and agree with the Co-Issuers and the Trustee (in the case of a Note) or 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 beneficial interest in a Restricted Global Note, it (i) is a Qualified Institutional Buyer and also a Qualified Purchaser; (ii) 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; (iii) 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; (iv) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee; (v) is aware that the sale to it is being made in reliance on Rule 144A or, in the case of a Class A-2 Note, in accordance with the transfer and certification requirements set forth in the Class A-2 Notes Supplement; and (vi) is acquiring such Offered Securities for its own account. In the case of a transferee who takes delivery of a Restricted Preference Share, unless such transfer is effected in accordance with another exemption from the registration requirements of the Securities Act (and such certifications, legal opinions or other information as the Issuer has reasonably required 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 have been delivered), it is a Qualified Institutional Buyer purchasing for its own account. In the case of a transferee who takes delivery of Regulation S Notes or Regulation S Preference Shares, it (i) is acquiring such Notes or Preference Shares in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; (ii) is acquiring such Notes or Preference Shares for its own account; (iii) is not acquiring, and has not entered into any discussions regarding its acquisition of, such

Notes or Preference Shares while it is in the United States or any of its territories or possessions; (iv) understands that such Notes and Preference Shares are being sold without registration under the Securities Act by reason of an exemption that depends, in part, on the accuracy of these representations; (v) understands that such Notes or Preference Shares may not, absent an applicable exemption, be transferred without registration and/or qualification under the Securities Act and applicable state securities laws and the laws of any other applicable jurisdiction (vi) in the case of a transferee of a Regulation S Note, understands that interests in a Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg and (vii) in the case of a transferee of a Regulation S Preference Share, understands that interest in a Regulation S Global Preference Share may only be held through Euroclear or Clearstream, Luxembourg.

(2) It acknowledges that the foregoing acknowledgements, representations, warranties and agreements will be relied upon by the Issuer and the Trustee (in the case of a Note) or 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 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.

GENERAL INFORMATION

1. For fourteen days following the date of the final 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 Paying Agency Agreement, the Collateral Administration Agreement, form of Investor Application Form, the Collateral Management Agreement and the Hedge Agreements (other than the Basis Swap) will be available for inspection and the transfer certificates will be available for inspection 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.

2. 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 Paying Agency Agreement, the Collateral Administration Agreement, the Collateral Management Agreement and the Hedge Agreements and the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Notes and the Indenture will be available for inspection during the term of the Notes in the city of Chicago, Illinois at the office of the Trustee.

3. Each of the Co-Issuers represents that there has been no material adverse change in its financial position since its date of creation.

4. 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.

5. The issuance of the Offered Securities was authorized by the Board of Directors of the Issuer March 30, 2004. The issuance of the Notes was authorized by the Board of Directors of the Co-Issuer on March 30, 2004.

6. Notes sold in offshore transactions in reliance on Regulation S and represented by Global Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The table below lists the CUSIP (CINS) Numbers and the International Securities Identification Numbers (ISIN) for the Global Notes:

	Regulation S Common Codes	Regulation S Global Note CUSIP Numbers	Restricted Global Note CUSIP Numbers	Restricted International Securities Identification Numbers
Class A-1 Notes funded on Closing Date	018992469	G53524 AA 5	51210V AA 8	Restricted: US51210VAA89 Reg S: USG53524AA55
Class A-1 Notes (unfunded)	TBD	G53524 AE 7	51210V AJ 9	Restricted: US51210VAJ98 Reg S: USG53524AE77
Class A-2A Notes	018992582	G53524 AB 3	51210V AC 4	Restricted: US51210VAC46 Reg S: USG53524AB39
Class A-2B Notes	TBD	G53524 AF 4	51210V AL 4	Restricted: US51210VAL45 Reg S: USG53524AF43
Class B Notes	018992680	G53524 AC 1	51210V AE 0	Restricted: US51210VAE02 Reg S: USG53524AC12

				Reg S: USG53524AC12
Class C Notes	018992787	G53524 AD 9	51210V AG 5	Restricted: US51210VAG59 Reg S: USG53524AD94

7. Preference Shares sold in offshore transactions in reliance on Regulation S and represented by Regulation S Global Preference Shares have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The table below lists the CUSIP (CINS) Numbers and the International Securities Identification Numbers (ISIN) for the Global Preference Shares:

	Regulation S Common Codes	Regulation S Global Note CUSIP Numbers	Restricted Global Note CUSIP Numbers	Restricted International Securities Identification Numbers
Preference Shares	018993112	G5352R 20 5	51210X 20 5	Restricted: US51210X2053 Reg S: KYG5352R2055

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 Walkers. Certain legal matters with respect to the Collateral Manager will be passed upon by Katten Muchin Zavis Rosenman, Chicago, Illinois.

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[3]					
	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[3]					
	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%

D. Low-Diversity CBO/CLO Securities**

Percentage of Total Capitalization	Moody's Rating[3]					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	80%	75%	60%	50%	45%	30%
Less than or equal to 70%, but greater than 10%	70%	60%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	60%	50%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	50%	40%	35%	30%	20%	10%
Less than or equal to 2%	30%	25%	20%	15%	7%	6%

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

E. High-Diversity CBO/CLO Securities**

Percentage of Total Capitalization	Moody's Rating[3]					
	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%	60%	50%	40%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	50%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	10%
Less than or equal to 2%	45%	35%	30%	25%	10%	5%

****If the Collateral Debt Security is a Corporate Debt Security, the recovery rate will be 30%.**

[3] 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, REIT Debt Security or a Corporate 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 of Collateral Debt Security	Recovery Rate by Rating of Notes						
	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, REIT Debt Security or a Corporate 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 of Collateral Debt Security	Recovery Rate by Ratings of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	65.0%	70.0%	80.0%	85.0%	85.0%	85.0%	85.0%
"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 or a Corporate 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 (other than a Corporate Debt Security) is a REIT Debt Security, the recovery rate will be 40%.**

***If the Collateral Debt Security is a Corporate Debt Security, the recovery rate will be (a) if such Corporate Debt Security is secured and not by its terms subordinate in right of payments, 47.5%, (b) if such Corporate Debt Security is not secured and is not by its terms subordinate in right of payment, 37% and (c) otherwise, 21.5%.**

Part III

Fitch Recovery Rate Matrix

With respect to any Defaulted Security on any Measurement Date, an amount equal to the percentage corresponding to the domicile and seniority of such Defaulted Security, as applicable, as set forth in the matrix below; provided that, the applicable percentage shall be the percentage corresponding to the most senior Outstanding Class of Notes then rated by Fitch.

Domicile	Seniority	AAA	AA	A	BBB	BB	B
	ABS Senior (> 10%)	60%	65%	75%	85%	90%	95%
	ABS Senior (< 10%)	48%	56%	64%	72%	76%	80%
	ABS Mezzanine IG (> 10%)	30%	38%	46%	54%	65%	75%
	ABS Mezzanine IG (< 10%)	20%	27%	35%	42%	50%	55%
	ABS Non IG (> 10%)	15%	18%	21%	26%	32%	35%
	ABS Non IG (< 10%)	0%	4%	8%	12%	16%	20%
United States	REITS	52%	55%	59%	62%	63%	65%
United States	Senior Secured (Non IG)	56%	60%	63%	67%	68%	70%
United States	Jr Secured (Non IG)	24%	26%	27%	29%	29%	30%
United States	Senior Unsecured (Non IG)	36%	38%	41%	43%	44%	45%
United States	Subordinate (Non IG)	24%	26%	27%	29%	29%	30%
United States	Senior Unsecured (IG)	44%	47%	50%	52%	54%	55%
United States	Subordinate (IG)	24%	26%	27%	29%	29%	30%
	Emerging Markets	20%	21%	23%	24%	24%	25%
	Japan	16%	17%	18%	19%	20%	20%

SCHEDULE B

FITCH SECTOR AND SUBSECTOR CLASSIFICATIONS[2]

Each Collateral Debt Security is assigned one of seven sectors: CDO, CMBS, Commercial ABS, Consumer ABS, Corporate, REIT and RMBS. In addition, each Collateral Debt Security is assigned an industry. The following includes the sectors and industries which may be assigned to each Collateral Debt Security:

CDO
High Yield Bond
High Yield Loan
SME/Middle Market
IGCorp
SF – Diverse
SF- Real Estate
Market Value

CMBS
Large Loan
Conduit
Credit Tenant Leases

Commercial ABS
Equipment Leases
Franchise Loans
Aircraft Loans/Leases
Dealer Floorplan
Utility Stranded Costs
Weather Bonds
Small Business Loans
Taxi Medallion
Rail Car
Intellectual Property
Stadium Financing
12B1 Fees
Agriculture Loans
Healthcare Receivables
Rental Fleet
Structured Settlements
Inventory Financing
12B1Fees
Other

REIT
Apartments
Diversified
Industrial/Office
Healthcare
Hotels
Retail

Consumer ABS
Credit Cards
Auto Prime
Auto SubPrime
Consumer Loans
Student Loans
Charged Off Credit Cards
Motorcycles
Timeshare
RV/Boats
Other

Corporate
Aerospace & Defense
Automobiles
Banking & Finance
Broadcasting/Media/Cable
Building & Materials
Business Services
Chemicals
Computers & Electronics
Consumer Products
Energy
Food, Beverage & Tobacco
Gaming, Leisure & Entertainment
Health Care & Pharmaceuticals
Industrial/Manufacturing
Lodging & Restaurants
Metals & Mining
Packaging & Containers
Paper & Forest Products
Real Estate
Retail (General)
Supermarkets & Drugstores
Telecommunications
Textiles & Furniture
Transportation
Utilities

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[2] Fitch Assigned Subsector definitions are subject to reasonable determination and interpretation by the Trustee (in consultation with the Administrative Agent).

RMBS
Prime
Subprime
MFH

Note: Deals guaranteed by an insurer/guarantor should be categorized under Banking & Finance for purposes of Fitch sector.
LTV = Loan to value ratio. RV = Recreational vehicle.

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. 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

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

7. 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 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. Any asset class not listed on Schedule E

SCHEDULE E

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**	
	(Lowest) current rating is:		(Lowest) 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	-1	-2	-2	-3
Restaurant and Food Services Securities				
Tobacco Litigation Securities				

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 CMBS – Single Property	-1	-2	-2	-3
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 December 10, 2001

SCHEDULE F

TABLE OF MOODY'S ASSET CLASSES

Class A-1 Credit Card Securities Healthcare Securities Home Equity Loan Securities Manufactured Housing Securities Residential B/C Mortgage Securities Small Business Loan Securities Student Loan Securities Tax Lien Securities	**Class D** Bank Guaranteed Securities Corporate Debt Securities Insurance Company Guaranteed Securities REIT Debt Securities—Diversified REIT Debt Securities—Health Care REIT Debt Securities—Hotel REIT Debt Securities—Industrial REIT Debt Securities—Multi-Family REIT Debt Securities—Office REIT Debt Securities—Residential REIT Debt Securities—Retail REIT Debt Securities—Storage
Class A-2 Franchise Securities Mutual Fund Securities Oil and Gas Securities Restaurant and Food Services Securities	**Class E** Project Finance Securities
Class B Aerospace and Defense Securities Automobile Securities Car Rental Receivable Securities Subprime Automobile Securities Recreational Vehicle Securities	**Class F** Residential A Mortgage Securities

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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Grand Cayman, Cayman Islands

Lakeside CDO II, Inc.
c/o Puglisi & Associates
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Newark, Delaware 19711

TRUSTEE, NOTE PAYING AGENT, NOTE REGISTRAR AND TRANSFER AGENT AND PREFERENCE SHARE PAYING AGENT

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PREFERENCE SHARE REGISTRAR AND TRANSFER AGENT

Walkers SPV Limited
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Chicago, Illinois 60661

Lakeside CDO II, Ltd.
Lakeside CDO II, Inc.

U.S.$1,170,000,000 Class A-1
First Priority Senior Secured Floating Rate Delayed Draw Notes Due 2040
U.S.$279,900,000 Class A-2
Second Priority Senior Secured Floating Rate Notes Due 2040
U.S.$15,000,000 Class B
Third Priority Secured Floating Rate Notes Due 2040
U.S.$15,000,000 Class C
Mezzanine Secured Floating Rate Notes Due 2040
21,600 Preference Shares
with an Aggregate Liquidation Preference of U.S.$21,600,000

OFFERING CIRCULAR

Merrill Lynch & Co.

Bear, Stearns & Co. Inc.

March 31, 2004